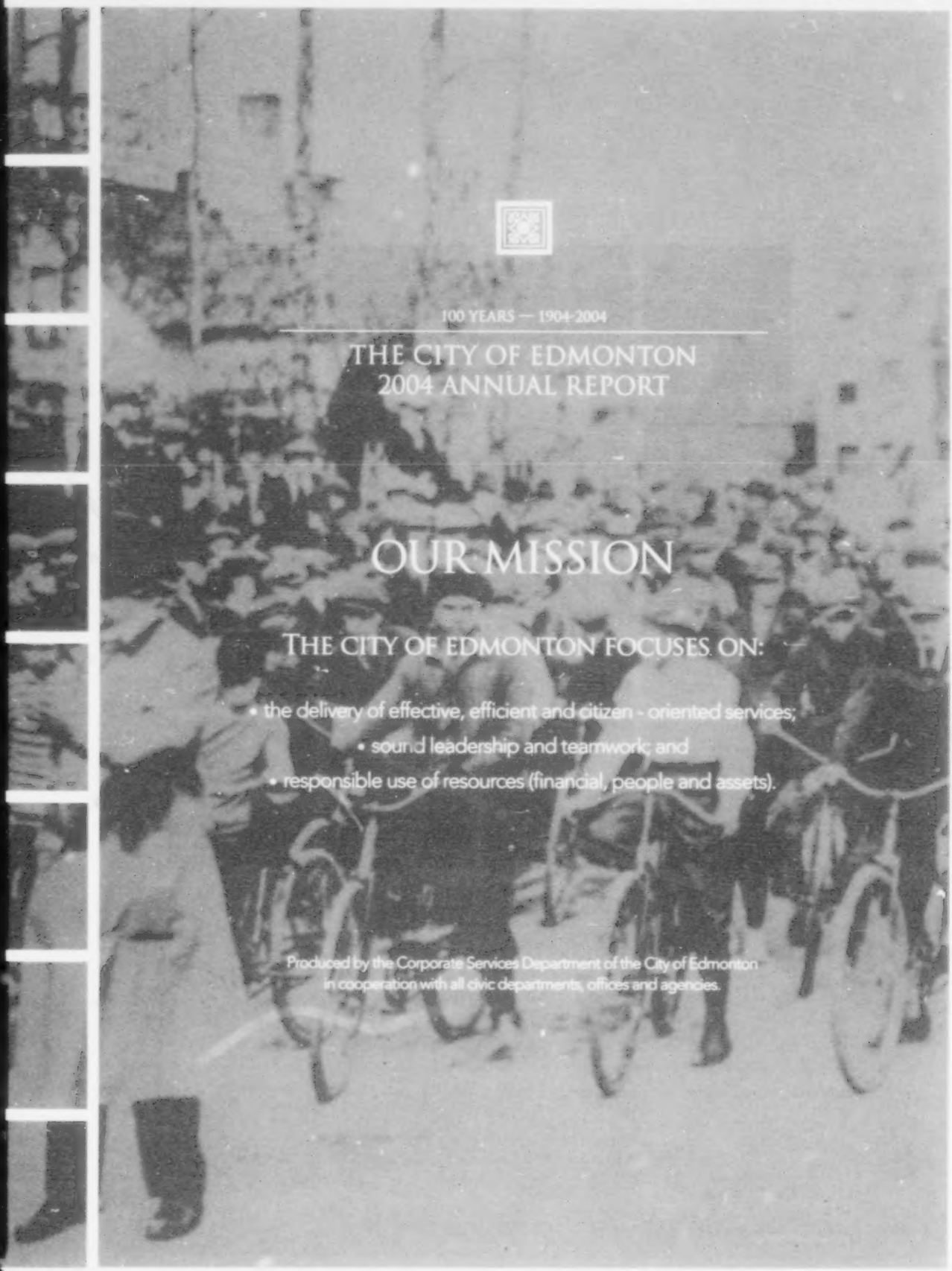
EDMONTON

2004 ANNUAL REPORT

SPEED POWER
ECONOMY

Edmonton

105-04575



100 YEARS — 1904-2004

THE CITY OF EDMONTON 2004 ANNUAL REPORT

OUR MISSION

THE CITY OF EDMONTON FOCUSES ON:

- the delivery of effective, efficient and citizen - oriented services;
- sound leadership and teamwork; and
- responsible use of resources (financial, people and assets).

Produced by the Corporate Services Department of the City of Edmonton
in cooperation with all civic departments, offices and agencies.

I am pleased to forward to you The City of Edmonton Annual Report for the year ended December 31, 2004. The report presents some of the highlights along with our financial results for the year. It also provides information regarding our 2005 budget and future expectations.

To assist with future document distribution, if you wish to continue to receive the Annual Report, please complete the following. Alternatively, you may choose to access the Annual Report through the internet, at **www.edmonton.ca**

Mailing Address:

Contact Person:

Position (if applicable):

Corporation (if applicable):

Your comments on the document would be appreciated, by completing the following.

The City of Edmonton Annual Report: Fully meets my needs as a document user.
Would be more useful if the following additional information was included

Includes the following information, which I do not need or use:

Thank you for your continued interest in The City of Edmonton.

Roger Rosychuk, MBA
Finance Branch Manager, Corporate Services Department

The City of Edmonton
Corporate Services Department
Finance Branch
5th Floor, Chancery Hall
3 Sir Winston Churchill Square
Edmonton, Alberta, Canada T5J 2C3

INTRODUCTORY INFORMATION

Our Centennial 4
Edmonton Snapshot 6
Historic Highlights 8
City Council 10
Political and Administrative Structure 11
City Manager 12
Citizens First 14
Economic Climate 16
Excellence at Work 18
Leading with Vision 20
Report from Corporate Services – Finance 22
Financial Management and Control 29

FINANCIAL INFORMATION

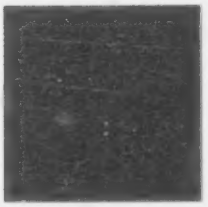
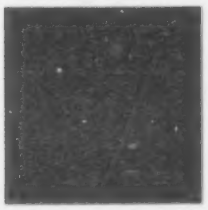
Management's Report 32
Auditors' Report 33
Consolidated Statement of Financial Position 34
Consolidated Statement of Financial Activities 35
Consolidated Statement of Changes in Financial Position 36
Schedule 1 — Operating Fund 37
Schedule 2 — Capital Fund 38
Schedule 3 — Reserve Fund 39
Notes to Consolidated Financial Statements 40

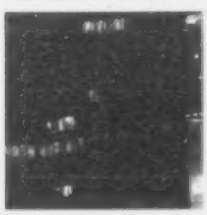
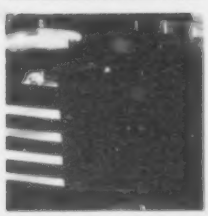
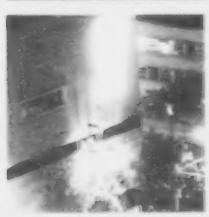
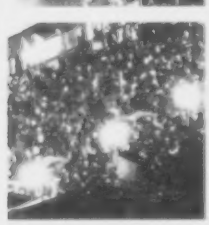
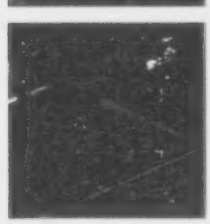
SCHEDULES AND STATISTICS

Statistical Review for the Years 2000 to 2004 58
Related Boards and Authorities 64

OUR CENTENNIAL

On October 8th, 2004, Edmonton commemorated 100 years of history with a spectacular centennial celebration, but it also seized the opportunity to invest in the future: a newly elected council, a newly renovated Sir Winston Churchill Square, and a fresh approach to its second century. Next time, the fireworks will be even bigger, as the investments made today pay off in high dividends over the years to come.

CN

POPULATION

EDMONTON POPULATION 1904: 8,350

EDMONTON POPULATION 2004*: 666,104

METROPOLITAN 2004*: 954,342

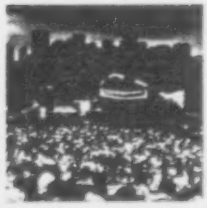
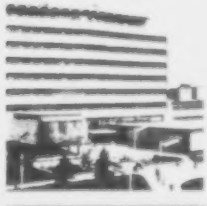
LAND AREA

EDMONTON LAND AREA 1904: 23 square kilometres

EDMONTON LAND AREA 2004: 700 square kilometres (69,980 hectares)

METROPOLITAN 2004: 9,537 square kilometres

*2004 population figures based on 2001 Canada Census.

EDMONTON SNAPSHOT

100 YEARS — 1904-2004

CITY OF EDMONTON 2004 ANNUAL REPORT

"TODAY ALBERTA'S CAPITAL CITY IS READY FOR THE FUTURE LIKE NEVER BEFORE. THIS IS A CITY STEEPED IN INNOVATION AND INGENUITY AND HISTORY."

– PREMIER RALPH KLEIN
EDMONTON JOURNAL, OCTOBER 9, 2004

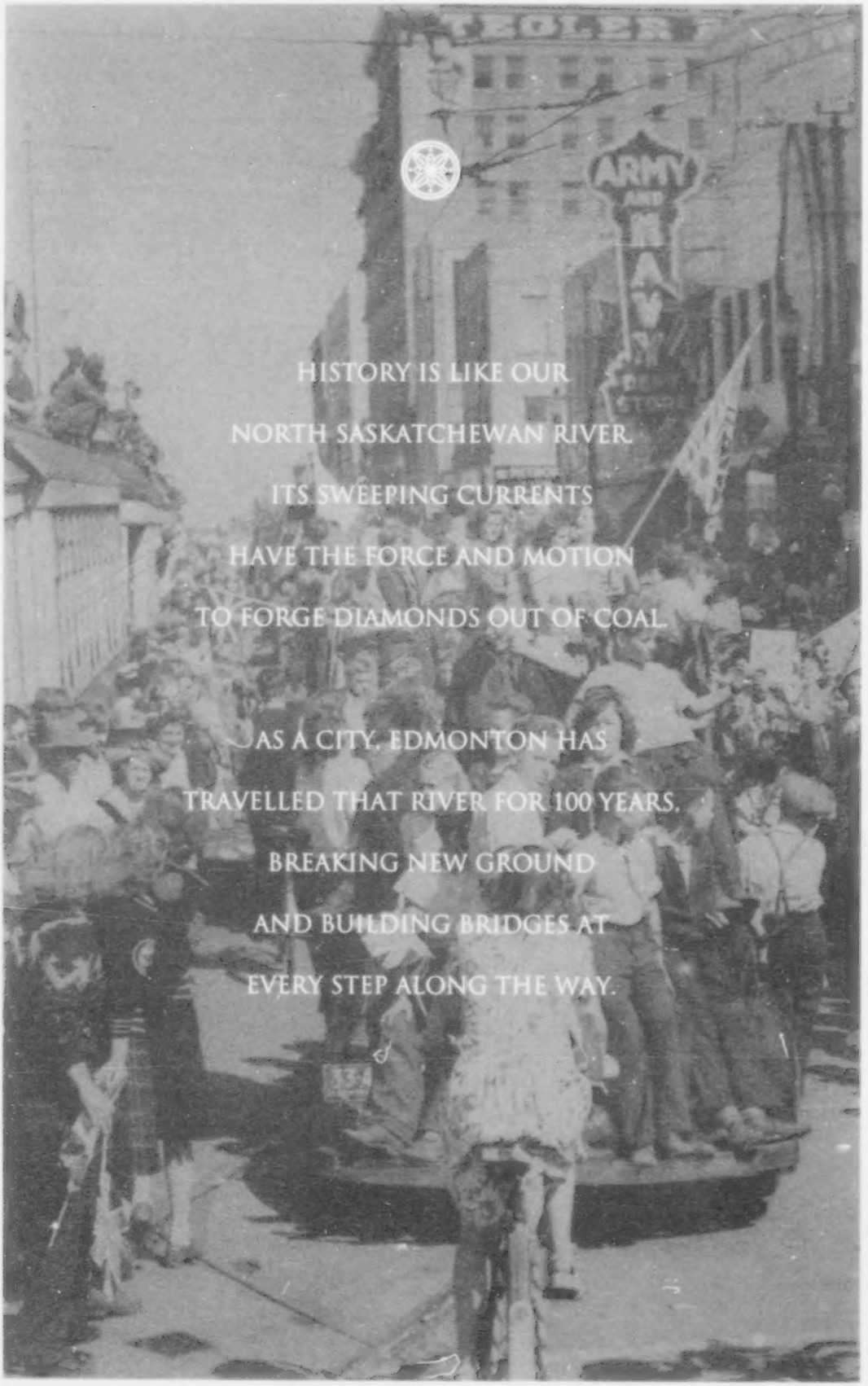
FIRST | In our 100 years as a city, Edmonton has achieved many firsts: **first** university in the province, the University of Alberta, founded in 1908; **first** in the Commonwealth to appoint a woman police magistrate, Emily Murphy, in 1916; Blatchford Field, now the Municipal Airport, became the **first** publicly licensed airfield in Canada in 1927; **first** city in Canada to have a 911 phone plan, 1969; **first** city with a population less than one million to build a light rail transit system in 1978.

CULTURED | Edmonton's theatre, ethnic and artistic communities have left their imprint on Canada and the world. We host the biggest heritage celebration in North America, an internationally renowned Fringe theatre festival, and over 20 more festivals throughout the year. The city's festival and event calendar is a draw for tourists, a source of pride for citizens, and brings significant economic benefits to the community.

ACTIVE | Edmonton's river valley and the trail networks stretching through its neighbourhoods – 7,400 hectares of green space – teem with people being active: running, cross-country skiing, or canoeing, as the seasons change. It's part of our nature, and it informs everything we do. Edmontonians also provide the momentum for a hotbed of economic activity in oil and gas, agriculture, technology, retail and business.

COMMITTED | Our dedicated volunteers and excellent City services provide unparalleled support for hosting international events. Recent hosting highlights include the 2001 World Track and Field Championships, the 2002 Grey Cup, the 2003 Heritage Classic, and the 2004 Juno Awards, among others. In 2005, this tradition continues with the World Masters Games and the 2005 Brier.

COMMUNITY | Edmonton is an affordable city that cares for its people with strong social programs, community resources, and all the basic amenities. To ensure it stays that way, the City of Edmonton is negotiating with other orders of government to drive a new deal for Canadian municipalities. With a population that continues to grow and place greater demands on the city's resources, Edmonton is expanding infrastructure and looking for ways to sustain new growth for the long-term. This will ensure that Edmonton is a great place to live for many years to come.

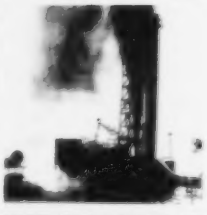


HISTORY IS LIKE OUR
NORTH SASKATCHEWAN RIVER.
ITS SWEEPING CURRENTS
HAVE THE FORCE AND MOTION
TO FORGE DIAMONDS OUT OF COAL.

AS A CITY, EDMONTON HAS
TRAVELLED THAT RIVER FOR 100 YEARS,
BREAKING NEW GROUND
AND BUILDING BRIDGES AT
EVERY STEP ALONG THE WAY.

HISTORY IS LIKE OUR
NORTH SASKATCHEWAN RIVER.
ITS SWEEPING CURRENTS
HAVE THE FORCE AND MOTION
TO FORGE DIAMONDS OUT OF COAL.

AS A CITY, EDMONTON HAS
TRAVELLED THAT RIVER FOR 100 YEARS,
BREAKING NEW GROUND
AND BUILDING BRIDGES AT
EVERY STEP ALONG THE WAY.



HISTORIC HIGHLIGHTS

October 8, 1904
Edmonton is incorporated as a city.

1906 Edmonton is declared the capital of Alberta.

1913 Edmonton completes two major construction projects – the Alberta Legislature and the High Level Bridge – that define the North Saskatchewan River and city skyline, to this day.

1929 "Wop" May makes his historic flight to bring diphtheria vaccine to Little Red River.

1942 Alaska Highway construction completed; establishing Edmonton as the "Gateway to the North".

1947 Oil derrick Leduc #1 strikes oil, invigorating the economy and kick-starting a new era of growth and prosperity in and around Edmonton.

1960 Edmonton International Airport opens.

1965 The opening of the Citadel Theatre establishes the city's tradition of cultural excellence in theatre and the arts.

1978 Light Rail Transit (LRT) system begins operation; the Commonwealth Games bring unprecedented attention to Edmonton, marking it as a city of international prestige and importance.

1980 Edmonton's population surpasses 500,000 as the province celebrates its 75th anniversary; construction is underway on West Edmonton Mall, and the Eskimos win the third of five consecutive Grey Cups, forging our reputation as the "City of Champions".

1983 Edmonton hosts the World University Games; the Convention Centre (now the Shaw Conference Centre) opens for business.

1984 The Edmonton Oilers win the NHL championship, claiming the Stanley Cup for the first of five cup wins in seven years.

1993 The new city hall featuring two glass pyramid ceilings, and a clock tower paid for by community donations, open.

1995 Sale of city-owned Edmonton Telephones to TELUS Corporation. Proceeds of $470.2 million invested in Ed Tel Endowment Fund.

2001 Edmonton hosts the World Championships in Athletics. The University of Alberta, in partnership with the National Research Council, establishes the National Institute for Nanotechnology on the U of A campus.

2003 The Heritage Classic, the first-ever outdoor game in the National Hockey League, is played at Commonwealth Stadium.

October 8, 2004
Edmonton celebrates 100 years as a city.

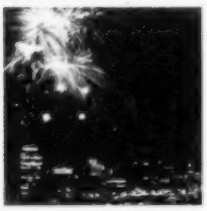
CITY COUNCIL

Top Row: Ron Hayter, Ed Gibbons, Terry Cavanagh, Dave Thiele, Kim Krushell, Karen Leibovici, Bryan Anderson
Bottom Row: Linda Sloan, Janice Melnychuk, Mayor Stephen Mandel, Jane Batty, Michael Phair, Mike Nickel

As the capital of Alberta, Edmonton is a key player in the country's strongest provincial economy. We are leaders in industry, arts, education, research and business and City Council is building on these strengths. Our new working arrangement on council, with expanded roles for each councillor to take leadership and responsibility, defines our approach.

We are focusing more closely, and with greater success, on the issues that matter to Edmontonians, as we lay the groundwork for change, renewal, and greater prosperity in our community. We are planning for both short and long-term infrastructure and transportation needs; by managing our resources with a fiscal, social and environmental conscience; and by working with other orders of government to address municipal funding issues.

Working with and for our citizens, we will give Edmontonians the city they want today while investing in our future together.



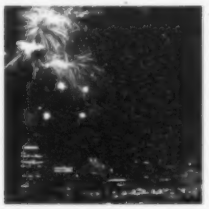
CITY COUNCIL

Top Row: Ron Hayter, Ed Gibbons, Terry Cavanagh, Dave Thiele, Kim Krushell, Karen Leibovici, Bryan Anderson
Bottom Row: Linda Sloan, Janice Melnychuk, Mayor Stephen Mandel, Jane Batty, Michael Phair, Mike Nickel

As the capital of Alberta, Edmonton is a key player in the country's strongest provincial economy. We are leaders in industry, arts, education, research and business and City Council is building on these strengths. Our new working arrangement on council, with expanded roles for each councillor to take leadership and responsibility, defines our approach.

We are focusing more closely, and with greater success, on the issues that matter to Edmontonians, as we lay the groundwork for change, renewal, and greater prosperity in our community. We are planning for both short and long-term infrastructure and transportation needs, by managing our resources with a fiscal, social and environmental conscience, and by working with other orders of government to address municipal funding issues.

Working with and for our citizens, we will give Edmontonians
the city they want today while investing in our future together.



POLITICAL & ADMINISTRATIVE STRUCTURE

CITY COUNCIL Edmonton is governed by an elected City Council comprised of a mayor and 12 councillors. Together they provide leadership and direction to the City Manager and administration, who ensure that citizens have access to the essential services needed in a liveable city.

The city is divided into six wards, with each voter able to choose two councillors as well as the Mayor. 2004 was an election year. On October 18th, Edmontonians elected Stephen Mandel as the city's new mayor, also voting in three new councillors. Elections are held every three years; the next election is set for October 17, 2007.

City Council meetings are held two to three times a month. City Council has seven standing committees that meet regularly. Meetings are open to the public.

CITY MANAGER Appointed by City Council as Chief Administrative Officer, the City Manager implements City Council policies and manages day-to-day operations. Al Maurer has served in this position for five years. Under his leadership are six departments, plus the Office of the City Clerk, and the Intergovernmental Affairs Office.

OFFICE OF THE CITY AUDITOR Appointed by and accountable to City Council, the City Auditor performs the key roles of guardian and agent of change, providing independent reviews of civic departments and programs through audits and other studies.

EPCOR UTILITIES INC. (EPCOR) EPCOR Utilities Inc. is one of Canada's top providers of power and water-related services and products. EPCOR owns and operates power plant, electrical transmission and distribution networks, builds and operates water and wastewater treatment facilities and infrastructure and provides power and water solutions to customers in Alberta, British Columbia, Ontario and the U.S. Pacific Northwest. With over $4 billion in assets, EPCOR is headquartered in Edmonton.

The City is EPCOR's sole common shareholder and City Council appoints the utility's Board of Directors and Chairman. In 2004 EPCOR fulfilled its financial commitments to the City of Edmonton and paid a dividend of $120.5 million. In addition, the company paid an estimated $42.9 million in business tax, property tax, franchise fees and revenue taxes. Under EPCOR's dividend policy, the dividend to the City of Edmonton in 2005 is forecast to be $122.7 million.

POLICE The Edmonton Police Commission includes seven citizens, appointed by City Council, and two City Councillors. The Police Commission oversees the Edmonton Police Service, including allocating funds provided in its annual budget to maximize the Police Service's community-based approach to enhancing safety and combating crime.

LIBRARY A 10-member Edmonton Public Library Board, appointed by City Council, manages Edmonton's library services, offered from a main location downtown and 15 branches. One City Councillor sits on the Board.

CITY MANAGER

Al Maurer, City Manager

In our 100th year as a city, we celebrated the achievements of City employees over the years – all their efforts to build and manage the city, and the successful result of their hard work. To commemorate the centennial, we held a big party – attended by over 60,000 people – in the newly renovated Churchill Square, redesigned as a tribute to, and celebration of, Edmonton and its people.

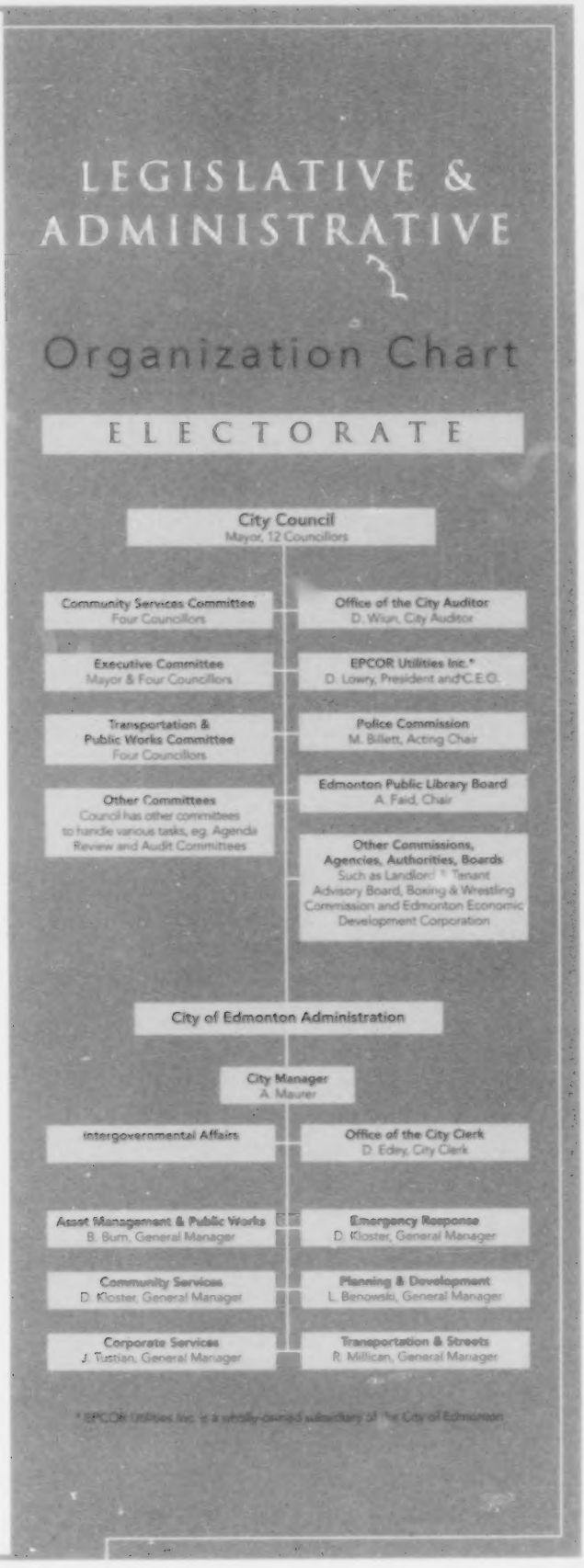
While we took a moment to look back over 100 years, we also looked forward. As a corporation, we continued efforts to pursue a new deal for Edmonton, to achieve urban sustainability, and to give Edmontonians a place they can be proud to call home. These continue to be top priorities in 2005. We are meeting challenges head on by working with other orders of government to institute a New Deal Investment and Partnership strategy for municipalities, and engaging other municipalities to work more closely on big city issues – issues such as homelessness, for example, and the needs of an increasing urban aboriginal population.

After 100 years, our goal is the same – to give Edmontonians excellent services in a sustainable, prosperous and well-managed city. This is our centennial legacy.

POLITICAL & ADMINISTRATIVE STRUCTURE continued...

EDMONTON ECONOMIC DEVELOPMENT CORPORATION Edmonton Economic Development Corporation (EEDC), formerly Economic Development Edmonton, is a wholly-owned subsidiary of the City of Edmonton. EEDC is responsible for regional economic development, tourism marketing, and the operation of Shaw Conference Centre and Edmonton Research Park. It reports to a Board of Directors, appointed from both the private and public sector by City Council. The 15-member Board includes Edmonton's Mayor.

CITIZEN INVOLVEMENT Hundreds of citizens play valuable roles as members of commissions, agencies, boards and authorities that provide leadership and advice about vital aspects of our lives. In addition to the boards named above, areas addressed by those bodies include business development, assessment, transportation, housing and historical preservation. Most citizens volunteer their services, evidence of the vibrant volunteerism for which Edmonton is internationally known.


LEGISLATIVE & ADMINISTRATIVE
Organization Chart
ELECTORATE
City Council
Mayor, 12 Councillors
Community Services Committee
Four Councillors
Office of the City Auditor
D. Wiun, City Auditor
Executive Committee
Mayor & Four Councillors
EPCOR Utilities Inc.*
D. Lowry, President and C.E.O.
Transportation & Public Works Committee
Four Councillors
Police Commission
M. Billett, Acting Chair
Other Committees
Council has other committees to handle various tasks, eg. Agenda Review and Audit Committees
Edmonton Public Library Board
A. Faid, Chair
Other Commissions, Agencies, Authorities, Boards
Such as Landlord / Tenant Advisory Board, Boxing & Wrestling Commission and Edmonton Economic Development Corporation
City of Edmonton Administration
City Manager
A. Maurer
Intergovernmental Affairs
Office of the City Clerk
D. Edey, City Clerk
Asset Management & Public Works
B. Burn, General Manager
Emergency Response
D. Kloster, General Manager
Community Services
D. Kloster, General Manager
Planning & Development
L. Benowski, General Manager
Corporate Services
J. Tustian, General Manager
Transportation & Streets
R. Millican, General Manager
* EPCOR Utilities Inc. is a wholly-owned subsidiary of The City of Edmonton

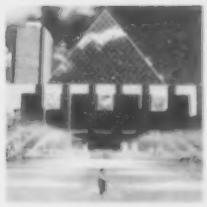
CITY MANAGER

Al Maurer, City Manager

In our 100th year as a city, we celebrated the achievements of City employees over the years – all their efforts to build and manage the city and the successful result of their hard work. To commemorate the centennial, we held a big party – attended by over 60,000 people – in the newly renovated Churchill Square, redesigned as a tribute to, and celebration of, Edmonton and its people.

While we took a moment to look back over 100 years, we also looked forward. As a corporation, we continued efforts to pursue a new deal for Edmonton, to achieve urban sustainability, and to give Edmontonians a place they can be proud to call home. These continue to be top priorities in 2005. We are meeting challenges head on by working with other orders of government to institute a New Deal Investment and Partnership strategy for municipalities, and engaging other municipalities to work more closely on big city issues and issues such as homelessness, for example, and the needs of an increasing urban aboriginal population.

After 100 years, our goal is the same – to give Edmontonians excellent services in a sustainable, prosperous and well-managed city. This is our centennial legacy.



POLITICAL & ADMINISTRATIVE STRUCTURE

LEGISLATIVE & ADMINISTRATIVE

Organization Chart

ELECTORATE

City Council
Mayor, 12 Councillors

- **Community Services Committee** — Four Councillors
- **Executive Committee** — Mayor & Four Councillors
- **Transportation & Public Works Committee** — Four Councillors
- **Other Committees** — Council has other committees to handle various tasks, eg. Agenda Review and Audit Committees.

- **Office of the City Auditor** — D. Wilson, City Auditor
- **EPCOR Utilities Inc.*** — D. Lowry, President and C.E.O.
- **Police Commission** — M. Billett, Acting Chair
- **Edmonton Public Library Board** — A. Feld, Chair
- **Other Commissions, Agencies, Authorities, Boards** — Such as Landlord & Tenant Advisory Board, Boxing & Wrestling Commission and Edmonton Economic Development Corporation

City of Edmonton Administration

City Manager
A. Mayner

- **Intergovernmental Affairs**
- **Asset Management & Public Works** — B. Burn, General Manager
- **Community Services** — D. Kloster, General Manager
- **Corporate Services** — J. Tustian, General Manager

- **Office of the City Clerk** — D. Edey, City Clerk
- **Emergency Response** — D. Kloster, General Manager
- **Planning & Development** — L. Benowski, General Manager
- **Transportation & Streets** — R. Molicani, General Manager

* EPCOR Utilities Inc. is a wholly-owned subsidiary of the City of Edmonton

"NOW I'M A
PROUD AND FREE
EDMONTONIAN.
I APPRECIATE LIFE
HERE EVERY DAY.
IT'S LIKE HEAVEN TO ME."

LETTY MICHAEL, IMMIGRANT TO EDMONTON
EDMONTON JOURNAL, OCTOBER 9, 2004

CITIZENS FIRST

THE CITY OF EDMONTON HAS DELIVERED VALUED SERVICES TO EDMONTONIANS FOR 100 YEARS. WHILE CURRENT GROWTH IS STRAINING COFFERS, THE CITY RECOGNIZES THAT IT MUST CONTINUE TO INVEST IN SERVICES AND FACILITIES TO MEET CITIZENS' NEEDS AND MAINTAIN THE HIGH QUALITY OF LIFE CITIZENS HAVE COME TO EXPECT.

CLEAR MANDATE | Edmontonians are clear in their demands and expectations of the City. Citizen input collected through website surveys, call centres, and at public hearings, town hall meetings and on-site surveys gives the City critical data on what Edmontonians are happy with, and what they want changed or improved. This open communication is essential for the City to provide good services and ensure that citizens are satisfied.

SATISFIED CITIZENS | In a 2003 citizen satisfaction survey, Edmontonians reported 95 per cent satisfaction with the quality of life in Edmonton, citing parks and green spaces (including the river valley), employment opportunities, retail variety and an overall atmosphere of hospitality in the city as the main reasons for their answers. Citizens' primary concerns were seasonal road maintenance (winter and summer), public transit and protective services. In 2004, the City responded by adding more firefighter and police personnel, increasing transit service hours, planning transit expansion and starting construction on major roadway interchanges.

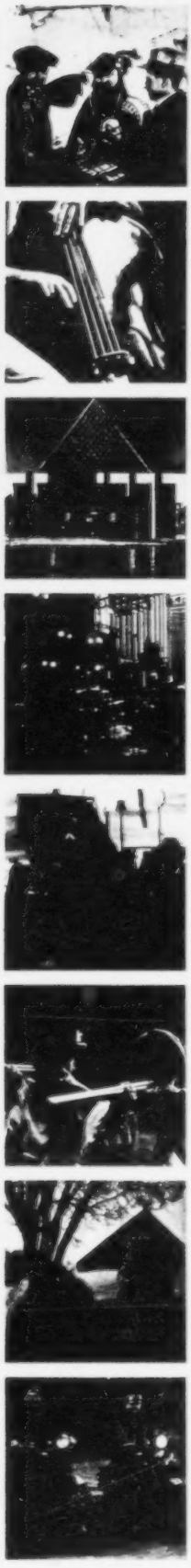
CONTINUED COMMITMENT | The City of Edmonton is maintaining its commitment to these areas in 2005. The corporation is adding emergency medical, firefighter and police personnel, and improving roadway and transit infrastructure and services. The City is also working to enhance services that already exceed citizens' expectations by showing strong leadership on environmental issues and earmarking funds for libraries, festivals and community events.

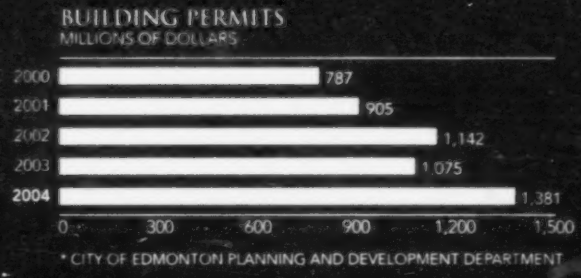
FISCAL RESPONSIBILITY | At the same time, the City has made a concerted effort to minimize tax burdens on the average homeowner. For the last four years, municipal taxes have consistently stayed at approximately 1-2 per cent of average household income. The average homeowner pays only about $3 per day through municipal property tax for services such as roads, transit, fire, police, community programs, libraries and more. Although it is the largest city in the region, Edmonton's combined property tax and utility costs are third lowest compared to ten other regional municipalities.

Edmonton offers a consistently affordable, high quality lifestyle, and citizens recognize the municipality's efforts. This is reflected by Edmontonians' 85 per cent satisfaction rating with City services.

"METRO AREA ECONOMIES....
ARE THE TRUE COMPETITORS
IN THE GLOBAL MARKETPLACE,
NOT POLITICALLY DEFINED
STATES OR NATIONS."

- STANDARD AND POOR'S

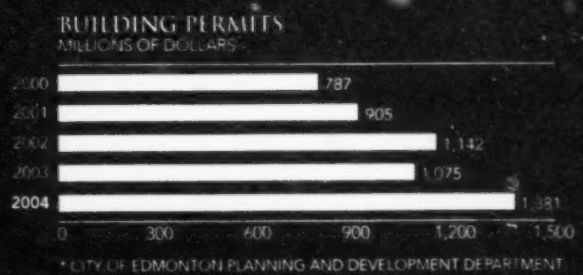




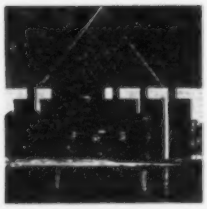
* CITY OF EDMONTON PLANNING AND DEVELOPMENT DEPARTMENT

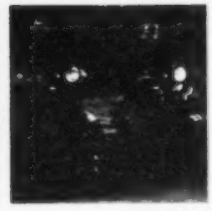
"METRO AREA ECONOMIES.... ARE THE TRUE COMPETITORS IN THE GLOBAL MARKETPLACE, NOT POLITICALLY DEFINED STATES OR NATIONS."

- STANDARD AND POOR'S



* CITY OF EDMONTON PLANNING AND DEVELOPMENT DEPARTMENT





ECONOMIC CLIMATE

NOW 100 YEARS STRONG, THE CITY OF EDMONTON IS JUST HITTING ITS STRIDE. SPARKED BY RESOURCE INDUSTRY DEVELOPMENT AND LOW INTEREST RATES, EDMONTON CONTINUED ITS GROWTH IN 2004 AS ONE OF THE HOTTEST ECONOMIES IN NORTH AMERICA. IN A 2004 STUDY OF BUSINESS MARKETS IN THE NORTH AMERICAN MIDWEST, INDEPENDENT CONSULTING FIRM KPMG RANKED EDMONTON THE NUMBER ONE CITY FOR COST COMPETITIVENESS.

SETTING RECORDS | Edmonton has built on both traditional and emerging innovative industries to reach levels of economic growth and activity envied across the country. For five of the last six years, the total value of goods and services (GDP) in Edmonton has grown by at least 3 per cent, a stable and encouraging sign of a thriving economy. Economic forecasts predict Edmonton's established GDP growth trend will continue, remaining around 3 per cent growth for at least the next four years.

STRONG HOUSING MARKET | Housing starts in Greater Edmonton remained high in 2004, decreasing only slightly from record 2002-2003 numbers, from just over 12,000 to 11,488. This reflects the robust market, but also the low unemployment rates and cost of living. Edmonton's 2004 unemployment rate of 4.8 per cent is the lowest of any metropolitan area in the country. Coupled with a 1.5 per cent employment growth rate, Edmonton is an ideal destination for newcomers – evidenced by a 2004 net migration of approximately 6,700.

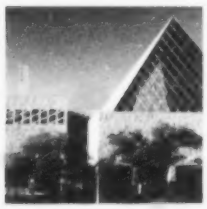
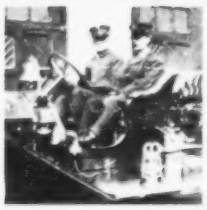
Despite the city's significant growth, housing prices in Edmonton remain affordable at an average $167,846, and Edmonton households enjoy 5.9 per cent greater disposable income than the average Canadian household. Edmonton is second only to Quebec City for its low initial investment costs for business, a key factor in enticing business to the city.

STILL BOOMING | Regional investment in the next decade is expected to reach an all-time high at $80.6 billion, much of which will impact the city directly. Edmonton is the northern hub for oil and gas operations, and continues to welcome businesses like Dell Canada Inc. (ranked among the top 25 most respected Canadian corporations) to set up shop in Alberta's capital.

BOND RATING | Strong economic performance and sound fiscal management has earned Edmonton a consistent AA (high) rating from Dominion Bond Rating Service Ltd. for six years now, and a recently upgraded AA+ (stable) rating by Standard and Poor's.

"I'D LIKE TO PAY TRIBUTE
TO [THE] THOUSANDS
OF EDMONTONIANS....
THOUGH THEIR NAMES
ARE KNOWN TO FEW,
WE MUST GIVE THEM THANKS
FOR OUR LITERATE, INNOVATIVE
AND POSITIVE CITY."

LOIS HOLE, LT. GOVERNOR OF ALBERTA (2000 - 2005)
EDMONTON JOURNAL OCTOBER 7, 2004

"I'D LIKE TO PAY TRIBUTE
TO [THE] THOUSANDS
OF EDMONTONIANS....
THOUGH THEIR NAMES
ARE KNOWN TO FEW,
WE MUST GIVE THEM THANKS
FOR OUR LITERATE, INNOVATIVE
AND POSITIVE CITY."

LOIS HOLE, LT. GOVERNOR OF ALBERTA (2000 - 2005)
EDMONTON JOURNAL OCTOBER 7, 2004

EXCELLENCE AT WORK

GREEN Edmonton's composting and recycling strategies, including the newly designed Waste Management Centre of Excellence (with its world-class research and waste treatment facilities), divert about 60 per cent of residential waste from landfills – more than any other Canadian city.

COST EFFECTIVE The corporation uses strategic sourcing to save money through planned, consolidated purchasing of materials and services. In 2004, employees saved the City nearly a million dollars through innovative sourcing strategies for office products, print and photocopy services, courier and mail services, and vehicle maintenance. The City has identified additional savings opportunities for 2005.

SMART POSSE, a City-designed application is used to prompt faster responses to Edmontonians' service requests, and to manage internal processes. POSSE has generated revenue and widespread acclaim for the City as a popular management tool for other municipalities around the world.

The City's E-business strategy improves online services and information for all Edmontonians. Using the City's new website, Edmontonians can apply for building and development permits, register for social and recreational services, access information about bylaws and municipal planning, and learn more about their community and all the resources available to them. Conducting business and accessing services with the City has never been easier.

SAFE With the innovative smokehouse training centre for firefighters, and the recent migration to a shared dispatch service for fire and ambulance response, Edmontonians have some of the most well-trained, efficient medical and rescue staff working to ensure their safety.

PROGRESSIVE The City built skateboard parks, new traffic interchanges and new partnerships in 2004. The new interchanges are part of an innovative transportation master plan to guide future growth, while key partnerships maintain Edmontonians' high quality of life.

A pioneering partnership between the City, the YMCA, and other orders of government provides essential services such as transitional housing, funding for low-income families, youth and family programming, and new recreational facilities.

2004 was a year of great accomplishments, a year that Edmonton will use as a template for building success.

PLAN EDMONTON, IS A UNIQUE, 10-YEAR MASTER PLAN DESIGNED TO ADDRESS THE INTERRELATIONSHIPS THAT EXIST BETWEEN OUR CITY'S PHYSICAL GROWTH, AND SOCIAL AND ECONOMIC DEVELOPMENT. IT SETS THE FRAMEWORK FOR ALL CITY PLANS AND PROGRAMS.

WITH PLAN EDMONTON, WE ARE STARTING OUR SECOND 100 YEARS MUCH LIKE OUR FIRST – WITH FIRM COMMITMENT AND PIONEERING SPIRIT, TAKING THE RIGHT STEPS TO BUILD OUR COMMUNITY.

PLAN EDMONTON, IS A UNIQUE, 10-YEAR MASTER PLAN DESIGNED TO ADDRESS THE INTERRELATIONSHIPS THAT EXIST BETWEEN OUR CITY'S PHYSICAL GROWTH, AND SOCIAL AND ECONOMIC DEVELOPMENT. IT SETS THE FRAMEWORK FOR ALL CITY PLANS AND PROGRAMS.

WITH PLAN EDMONTON, WE ARE STARTING OUR SECOND 100 YEARS MUCH LIKE OUR FIRST – WITH FIRM COMMITMENT AND PIONEERING SPIRIT, TAKING THE RIGHT STEPS TO BUILD OUR COMMUNITY.

LEADING WITH VISION

100 YEARS — 1904-2004

CITY OF EDMONTON 2004 ANNUAL REPORT

"OUR CITIES ARE KEY TO OUR SOCIAL GOALS AND OUR ECONOMIC COMPETITIVENESS...THE GOVERNMENT OF CANADA IS COMMITTED TO A NEW DEAL FOR CANADA'S MUNICIPALITIES...THAT DELIVERS RELIABLE, PREDICTABLE AND LONG-TERM FUNDING."

SPEECH FROM THE THRONE, FEBRUARY 4, 2004

SUSTAINABILITY, SMART CHOICES

Each year, more people are travelling on our roads, using public transit, buying homes and finding meaningful work and community life in Edmonton. The City's first and most important commitment is to make sure these people have access to the services they need. The 2005-2007 Corporate Business Plan, built on the framework provided in Plan Edmonton, is designed specifically to meet these requirements. Some of the City's priorities over the next year include supporting more affordable housing; a Smart Choices program to invest in neighbourhoods and urban development; road renewal; and efforts to reduce the city's impact on river quality.

Two key initiatives will be central to all the City's efforts – to provide greater funding for programs like those above, and to guide city planning to achieve long-term stability. These initiatives are the New Deal Investment and Partnership strategy (with other orders of government), and the City's forward-thinking Urban Sustainability Action Plan.

NEW CENTURY, NEW VISION

In the 1990s, federal and provincial cutbacks forced municipalities to rethink their entire operating structures, and, as a result, many found ways to save money while still delivering the same valuable services. The City of Edmonton was particularly successful, achieving more than $100 million in savings by focusing on efficiency and new revenue opportunities. As the decade ended however, Edmonton, like other cities, found funding had fallen short of needs. In the last couple years, Edmonton has beaten the drum to make Canadians and other orders of government aware of the growing disparity between municipal revenues and expenses.

Other governments have heard this message, and are starting to respond; federal initiatives like GST relief and fuel tax-sharing will result in greater financial support for cities. The City has partnered with other municipalities to work out the details of this "new deal".

PLANNING FOR THE FUTURE

While this support is significant, more needs to be done. The City favours action to confront its impending challenges, and has come up with a plan – the Urban Sustainability Action Plan. The plan addresses three key questions about the city's future:

What kind of city are we trying to build?
How will we finance it?
How can our city co-exist within the larger region?

The answers to these questions will set the City's course for the years to come, and the strategies that develop will shape Edmonton's future.

REPORT FROM CORPORATE SERVICES — FINANCE

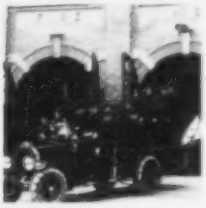
Joyce Tustian
General Manager, Corporate Services

Roger Rosychuk
Finance Branch Manager

The 2004 Annual Report contains the consolidated financial statements for the City of Edmonton, as prepared by management, in accordance with the standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The accompanying Auditors' Report has been provided by Deloitte & Touche LLP. The financial statements and auditors' report satisfy a legislative reporting requirement as set out in the Municipal Government Act (MGA) of Alberta.

The Annual Report also serves as an opportunity to communicate with stakeholders and other report users regarding the City's 2004 financial performance, and to provide related information regarding significant financial policies, strategies, and events.

The following discussion and analysis is the responsibility of management and should be read in conjunction with the audited financial statements.



FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

2004 FINANCIAL HIGHLIGHTS

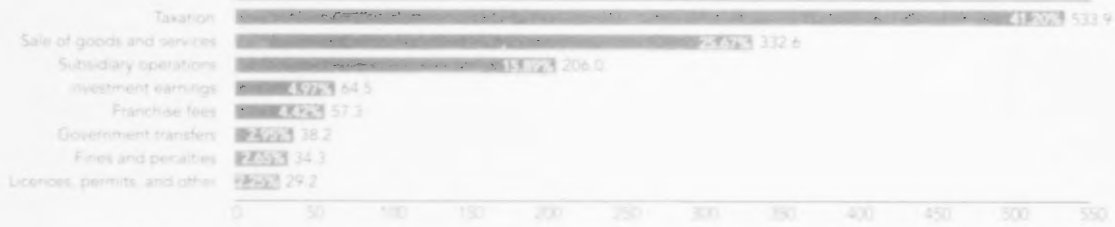
The 2004 financial statements of The City of Edmonton have been completed on a fund basis and are comprised of an operating fund, a capital fund, and a reserve fund. The results of the three funds have then been consolidated to report the overall financial position and financial activities of the City.

OPERATING FUND

The 2004 consolidated operating fund net revenues were $103.3 million, excluding income from subsidiary operations, which contributed a further $206.0 million. After providing for certain budgeted fund transfers and debt repayments, the consolidated operating fund balance increased by $119.5 million to $2,462.5 million.

SOURCE OF INCOME DOLLAR

OPERATING FUND — CONSOLIDATED


Taxation 41.20% 533.9
Sale of goods and services 25.67% 332.6
Subsidiary operations 15.90% 206.0
Investment earnings 4.97% 64.5
Franchise fees 4.42% 57.3
Government transfers 2.95% 38.2
Fines and penalties 2.65% 34.3
Licences, permits, and other 2.25% 29.2
0 50 100 150 200 250 300 350 400 450 500 550

DISTRIBUTION OF INCOME DOLLAR

OPERATING FUND — CONSOLIDATED

Protective services 23.14% 299.9
Transportation services 18.09% 234.5
Community services 13.65% 176.4
Net transfers to capital/reserve fund 11.52% 149.3
Corporate administration, general municipal and pension & benefits 10.73% 139.0
Increase in operating fund balance 9.22% 119.5
Utility and enterprise services 5.69% 73.8
Waste management 4.26% 55.2
Debt repayment 3.12% 40.5
Tax appeals and allowances 0.61% 7.9
0 50 100 150 200 250 300 350

REPORT FROM CORPORATE SERVICES — FINANCE

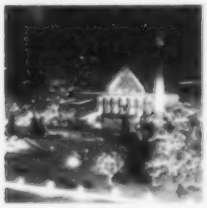
Joyce Tustian
General Manager, Corporate Services

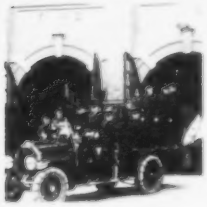
Roger Rosychuk
Finance Branch Manager

The 2004 Annual Report contains the consolidated financial statements for the City of Edmonton, as prepared by management, in accordance with the standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. The accompanying Auditors' Report has been provided by Deloitte & Touche LLP. The financial statements and auditors' report satisfy a legislative reporting requirement as set out in the Municipal Government Act (MGA) of Alberta.

The Annual Report also serves as an opportunity to communicate with stakeholders and other report users regarding the City's 2004 financial performance, and to provide related information regarding significant financial policies, strategies, and events.

The following discussion and analysis is the responsibility of management and should be read in conjunction with the audited financial statements.





FINANCIAL STATEMENT DISCUSSION AND ANALYSIS

The 2004 financial statements of The City of Edmonton have been completed on a fund basis and are composed of an operating fund, a capital fund, and a reserve fund. The results of the three funds have then been consolidated to report the overall financial position and financial activities of the City.

The 2004 consolidated operating fund net revenues were $103.3 million, excluding income from subsidiary operations, which contributed a further $206.0 million. After providing for certain budgeted fund transfers and debt repayments, the consolidated operating fund balance increased by $119.5 million to $2,462.5 million.

SOURCE OF INCOME DOLLAR

DISTRIBUTION OF INCOME DOLLAR

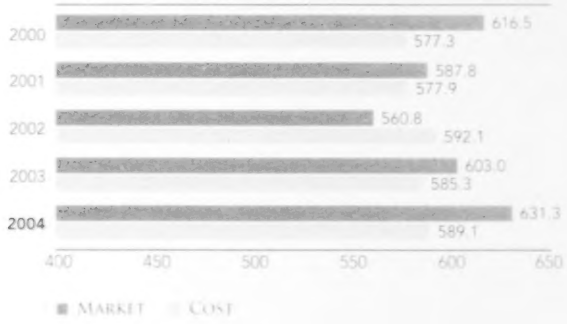
Tax-levy operations reflected the ongoing strong local economy, with abundant growth and development activity resulting in increased revenues from development compliance, franchise fees, waste management and transit fares. Assessment growth exceeded expectations. Improved capital markets in the final quarter of the year resulted in higher than budgeted investment earnings. Tax expenditures for appeals and non-collectable grant in lieu accounts were less than anticipated.

The Province of Alberta introduced additional annual grant funding for police services of $5.4 million in 2004. Due to the timing of the announcement and receipt later in the year, strategies with respect to the additional funds were not able to be implemented in 2004, resulting in an overall surplus within the policing program.

Offsetting the positive tax-supported results were additional expenditures required for winter road maintenance of $7.5 million in excess of budget, primarily due to a number of winter ice storms early in the year, and higher than average snowfall.

The City recognized an obligation and expense in 2003 relating to post-employment benefits continuing to be provided to employees subsequent to their active service. The obligation was increased to $9.7 million in 2004, based upon updated data and/or actuarial information, with an additional expense of $3.8 million recorded.

NET ASSETS OF ED TEL ENDOWMENT FUND



The Ed Tel Endowment Fund was established in 1995, with the investment of the $470 million in proceeds from the sale of the municipal telephone utility. Earnings from the Fund are applied to support municipal operations under a formula established by City Bylaw. During 2003, amendments were made to the Bylaw to reflect a more sustainable annual contribution level over the longer term. Earnings within the fund in 2004 were $31.5 million. Of that amount, $27.7 million was provided by way of a dividend to support municipal operations. The Fund ended the year with a net asset book value of $589.1 million, while the market value is estimated to be $631.3 million.

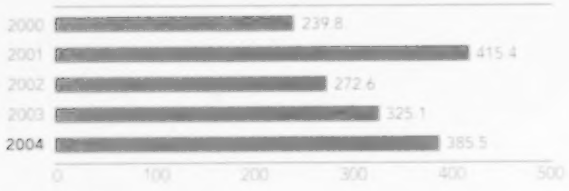
Earnings in The City of Edmonton Sinking Fund, established to meet future obligations to the purchasers of certain City of Edmonton debentures, exceeded required earnings by $7.3 million in 2004. Under an agreement entered into January 1, 1996, excess earnings within the Sinking Fund are shared between the City and EPCOR Utilities Inc. The balance of accumulated excess earnings attributable to the City at December 31, 2004 is $24.8 million, of which $4.8 million has been committed to fund future capital expenditures. An amount of $496.7 million has been accumulated for future debt retirement. Overall market values of investments exceed book values as at December 31, 2004.

EPCOR Utilities Inc. net earnings of $198.0 million in 2004 exceeded the budget expectation of $170.9 million. Dividends of $120.5 million and franchise fees of $33.7 million were transferred to support municipal operations.

Other operations within the consolidated entity, including the Drainage Services Utility, land operations, mobile equipment operations, Edmonton Public Library, Edmonton Economic Development Corporation, and Taxi Cab Commission earned a combined $91.4 million, prior to transfers and debt repayment of $77.3 million.

CAPITAL FUND $385.5 million was expended on capital during 2004, excluding those expenditures incurred within EPCOR Utilities Inc. Expenditures were primarily in areas of roadways, drainage services, mobile equipment and information technology. A number of capital projects did not proceed to the extent planned during the year due to factors such as outstanding external commitments, land and vendor negotiations, project changes, weather impacts, or unavailability of resources. Those projects will continue into 2005. The strong regional economy is impacting on the availability of resources, generally.

CAPITAL EXPENDITURES
(EXCLUDING EPCOR UTILITIES INC.)



The ending capital fund balance of $126.8 million is committed to fund capital projects approved by City Council in 2004 or in prior years. Equity in physical assets has increased by $84.9 million in 2004, to a balance of $1,160.4 million.

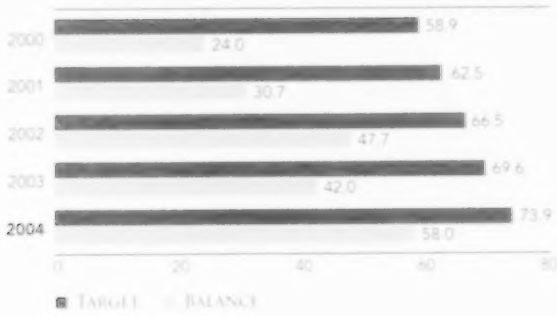
Capital expenditures for tax-supported operations amounted to $232.7 million, primarily financed on a pay-as-you-go basis including an allocation from operating revenues, government transfers, developer and customer contributions and transfers from reserves. As well, $45.5 million of additional tax-supported debt was incurred.

Capital expenditures of $152.8 million, in utility and enterprise operations, were financed primarily through borrowing, developer and customer contributions, or charges to equity. In total, $45.2 million of new self-liquidating debt was issued.

RESERVE FUND The City maintains reserves designated for specific purposes as approved by City Council or the Edmonton Public Library Board. As at December 31, 2004 an amount of $119.8 million has been appropriated for future operating or capital purposes, an increase of $24.4 million over the level of the prior year.

Of the overall reserve fund balance, an amount of $58.0 million is held within the Financial Stabilization Reserve (FSR). The FSR was established in 1997, to provide flexibility in addressing financial risks associated with revenue instability and unforeseen costs, and to ensure the orderly provision of services to citizens. A target balance of seven per cent of general government operating expenditures has been established for the FSR (2004 - $73.9 million). Based upon City Council-approved Policy, the operating surplus for tax-levy operations is transferred to the financial stabilization reserve annually. Any FSR balance in excess of the target level is to be applied evenly to the three subsequent years' operating budgets. A transfer of $28.1 million of 2004 tax-levy surplus will be made to the reserve in 2005. City Council has directed that up to $12.7 million from the FSR be used to finance certain expenditures in 2005.

FINANCIAL STABILIZATION RESERVE



2005 BUDGET

City Council approved the 2005 Operating and Capital Budget in December 2004. Overall, the budget maintains existing services, responds to growth demands, and addresses community priorities by adding resources in areas such as fire response, police, transit and roadway maintenance. Additional funding is provided by a 5.4 per cent increase in the municipal property and business tax revenues, including 1.0 per cent to cover the future cost of servicing $50 million in borrowing for priority tax-supported capital projects. Debt financed projects approved in 2005 include a new Library in the Lessard district, two replacement fire stations, mature neighborhood road rehabilitation, neighborhood/district park development, recreation facility upgrades and senior centre consolidation and upgrading.

The 2005 budget includes selected increases in user fees for various municipal services, including waste fees, transit ticket fares and some building permits. Sanitary Sewer Utility rates have not been increased for 2005 while land drainage fees increased by 2.5 per cent.

The approved budget anticipated the transfer of ground ambulance governance and funding to the local Capital Health Authority, as directed by the Province of Alberta, to be effective April 1, 2005. However, the Province has since deferred the business model change and are proceeding with pilot projects in two other centres over the next year to evaluate the proposed model. The Province is providing $12.9 million of funding to the City to mitigate the impact of the change in plans.

Consistent with the City's focus on continuous improvement, the 2005 Budget includes a commitment to generate $3.0 million in expenditure savings, including strategies to review the tax appeal process, implement a corporate print strategy, and continue with further strategic sourcing initiatives. Savings in 2005 are in addition to over $100 million in annual revenue and expenditure reduction initiatives that the City has implemented over the past twelve years.

RECOGNITION FOR ACHIEVEMENTS

Once again the City of Edmonton has been recognized with a number of awards in the financial area, attesting to the ongoing drive for quality and achievement.

The Government Finance Officer's Association of the United States and Canada (GFOA) awarded a **Canadian Award for Financial Reporting** to the City of Edmonton for its annual financial report for the fiscal year ended December 31, 2003. The Canadian Award for Financial Reporting program was established to encourage municipal governments throughout Canada to publish high quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.

Canadian
Award for
Financial
Reporting

Presented to

The City of Edmonton,
Alberta

For its Annual
Financial Report
for the Year Ended
December 31, 2003

A Canadian Award for Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to municipalities whose annual financial reports achieve the high program standards for Canadian Government accounting and financial reporting.

President

Executive Director

In order to be awarded a Canadian Award for Financial Reporting, a government unit must publish an easily readable and efficiently organized annual financial report, whose contents conform to program standards. Such reports should go beyond the minimum requirements of generally accepted accounting principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal governments, and address user needs.

A Canadian Award for Financial Reporting is valid for a period of one year only. This is the eleventh consecutive year that the City of Edmonton has received this award. We believe our current report continues to conform to the Canadian Award for Financial Reporting program requirements, and we will be submitting it to the GFOA for consideration.

The City of Edmonton also received the **2004 Distinguished Budget Presentation Award** from the Government Finance Officers Association of the United States and Canada, for the seventh straight year. The award represents a significant achievement and reflects the commitment of City Council and administration to meeting the highest principles of governmental budgeting. Edmonton has satisfied nationally recognized guidelines for effective budget presentation. These guidelines are designed to assess how well the budget serves as a policy document, a financial document, an operations guide, and a communication device.

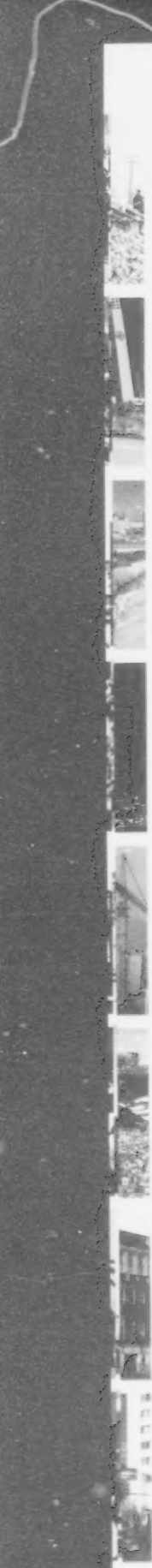
For the fifth consecutive year, an **Achievement of Excellence in Procurement Award** was presented to the City of Edmonton from the National Purchasing Institute. This prestigious international award recognizes excellence in public procurement, measuring innovation, professionalism, productivity, and leadership attributes of public sector organizations.

NEW DEAL Operating and capital funding gaps continue to exist as identified in the long-range financial plans reviewed with City Council. The overall strategies to close the gap recognize the need for a revised, more equitable relationship with the Federal and Provincial governments. Efforts are ongoing and progress is being made.

2004 operating and capital results reflect the full 7 per cent rebate of goods and services tax implemented for municipalities by the Federal government, effective February 1, 2004. This represents an overall savings in 2004 of approximately $11 million. City Council has directed that the available savings from 2004 and 2005 be applied to fund capital projects in 2005, including neighborhood rehabilitation and the municipal share of projects identified for provincial partnership funding under the centennial legacies grant program.

The City continues to benefit from an annual Provincial fuel tax rebate of $0.05/litre for fuel purchases within Edmonton which is used to finance qualifying transportation capital initiatives. The program was initiated for each of Edmonton and Calgary in 2000, replacing the previous basic capital grant. The Federal government has now announced a program to provide a per capita fuel tax rebate beginning in 2005. The City expects to receive approximately $13 million in 2005, increasing to approximately $44 million annually by 2009. Details of the program and its applicability are being determined.

The Province of Alberta has announced $3 billion in funding for capital infrastructure within the province. Further details with respect to Edmonton's share and the related timelines are expected to be announced with the 2005/06 Provincial budget, planned for April, 2005.



CONCLUSION Dominion Bond Rating Services have confirmed their rating of the City of Edmonton as AA (high). Standard & Poor's has improved their rating to a AA+/Stable from a AA/Positive. The positive ratings acknowledge the continued low level of tax-supported debt, the strong liquidity position, the exceptional long-term results from the local economy and the track record of good financial management.

Future forecasts for continued strong economic growth within the Edmonton region, challenge the City to maintain existing services as well as to address the service and infrastructure needs associated with significant growth. Programs and services are continually reviewed to identify internal efficiencies and opportunities. Additional funding announced from the provincial and federal orders of government will enhance the City's ability to implement the necessary funding to support the strategies which will shape the future.

Joyce Tustian
General Manager, Corporate Services

Roger Rosychuk, MBA
Finance Branch Manager

March 24, 2005

FINANCIAL MANAGEMENT & CONTROL

In 2004, the Long Range Financial Plan was updated for the 2005-2014 period and provided to City Council along with contextual financial information. City Council held a series of workshops to address the Pillars of Urban Sustainability to ensure a vital, healthy future for the City. The findings of the workshops were considered along with the Long Range Financial Plan, in order to establish specific program and service delivery guidelines for the preparation of the 2005 Budget. The Corporate Business Plan was also updated, setting out goals, key strategies, and specific corporate-wide initiatives for implementation throughout 2005-2007. In addition, three-year departmental business plans were prepared along with the 2005 budget.

Edmonton's **operating budget** lays out the revenues and expenditures planned for the following year to deliver city services, using a program-based approach with a focus on service delivery.

Edmonton's **capital priorities plan and budget** is a five-year plan identifying proposed capital project expenditures and their sources of financing. Proposed capital projects are assigned priorities based on a detailed set of criteria approved by City Council. Those projects that fall within the Corporation's financial resources are recommended for approval by City Council. Projects with a lower priority are deferred, and may be considered in future budgets.

City Council values public consultation during the development and review of the annual budgets. Within the 2005 planning and budget process, citizen and stakeholder input was provided through submissions for the Pillars of Urban Sustainability workshops and through web based surveys. In addition, City Council held a public forum prior to their deliberations with respect to the budget.

The City of Edmonton is organized into various business areas, each responsible for managing the delivery of program services in accordance with the resources allocated to those programs. The City utilizes a shared services model for corporate areas of communication, finance, human resources, information technology, and law. Under this model all business areas share a common accounting and reporting system, and financial and accounting services are administered under the direction of the Finance Branch Manager and delivered to each business area based on their needs.

The Municipal Government Act requires municipal councils to appoint an auditor. In 2004, Edmonton City Council appointed the firm of Deloitte & Touche LLP, Chartered Accountants, as external auditor for a five-year term. The auditor must report to City Council on the annual consolidated financial statements and the provincial financial information return of the municipality. An Audit Committee has been established as a Committee of City Council. The Act requires municipal financial statements to be prepared in accordance with generally accepted accounting principles for local governments, as recommended by the Canadian Institute of Chartered Accountants.

The City also has an internal audit function. The Office of the City Auditor is independent of the City Administration and reports directly to City Council through Audit Committee. The Office is empowered by Bylaw 12424, City Auditor. This bylaw establishes the position of City Auditor and delegates powers, duties, and functions to this position. The City Auditor has two roles:

Agent of Change Role – to conduct proactive and forward looking projects based on the provision of strategic, risk and control related consulting services to better serve the changing needs of the corporation and bring about improvement in program performance; and

Guardian Role – to conduct projects directed primarily towards providing assurance through review of existing operations, typically focusing on compliance, efficiency, effectiveness, economy and controls.

A number of significant financial policies, adopted by City Council, provide a framework for operating and capital planning and decision-making.

PROPERTY TAX POLICY In February 2004, City Council approved amendments to the property tax allocation policy. The policy provides for maintaining the current residential and non-residential property tax revenue split of 58.4 per cent : 41.6 per cent respectively, adjusted annually for growth. The allocation basis applied in 2004 is to be consistently applied to future tax-related decisions.

DEBT MANAGEMENT The Debt Management Fiscal Policy provides guidelines for debt and pay-as-you-go funding for tax-supported, utility, other self-supporting, and local improvement capital expenditures. In late 2002, City Council approved revisions to the Policy to allow limited borrowing for tax-supported capital projects that meet specific criteria. This change is one strategy to address the increasing growth and rehabilitation demands the City is experiencing.

Previous to the change, the City had followed an exclusively pay-as-you-go approach for funding tax-supported capital expenditures for many years. No new tax-supported borrowings had been made since 1990. As the debt principal decreased and the related annual debt repayment declined over the years, property tax previously set aside for debt repayment was made available to fund capital works. Pay-as-you-go financing has grown from $7 million in 1983 to approximately $93 million in 2004.

All borrowing completed in the name of the City since 1993 has been in the form of amortizing debentures in Canadian dollars, administered through the Alberta Capital Finance Authority (ACFA). Such borrowings utilize the strong debt rating of the Province of Alberta and the combined borrowing volumes of municipalities across Alberta. Interest rates are established at the time of borrowing and remain constant throughout the term of the debenture, eliminating the risk associated with fluctuating interest rates. Payments are made annually or semi-annually.

UTILITY FISCAL POLICIES City Council's utility fiscal policies govern the financial relationship between the City's operating fund and each of the municipally owned or operated utilities. These policies require each utility to charge sufficient rates to recover all operating costs, repay capital debt and earn a return on the City's equity investment. The policies also require each utility to pay the City a franchise fee on utility revenue and to provide a portion of annual utility profits as a dividend to the City. The dividend policy for EPCOR Utilities Inc. is established based on a percentage of budgeted earnings. The land drainage utility, established in 2003, is exempt from payment of franchise fees and dividends until 2014.

INVESTMENT POLICY City Council approved an investment policy, to ensure that funds are managed and put to their best use through investment. Investments are made for the benefit of the citizens of Edmonton or, where they are in relation to pension or trust funds, for the benefit of designated beneficiaries.

The Investment Policy establishes objectives to preserve the original principal and to maximize investment returns within an acceptable level of risk. Asset mix is determined based upon the earning objectives. All investments must comply with the Municipal Government Act of Alberta, the Major City's Investment Regulation and with the City of Edmonton's Investment Policy.

The Investment Committee, appointed by the City Manager, has responsibility for the prudent investment of the funds under its control. The Committee oversees the activities of all investment managers, monitors their performance in relation to their established benchmarks, and reports to City Council at least annually.

RESERVE AND OPERATING EQUITY ACCOUNTS The Reserve and Operating Equity Accounts Policy was approved by City Council in 2002, replacing the previous Reserves and Surplus Policy and incorporating the former Financial Stabilization Reserve Policy. The establishment of reserves, as well as transfers to and from reserves requires the approval of City Council through the budget approval process. An in-depth review of reserves and equity balances is planned for 2005, consistent with the Policy which provides for such a review every three years.

FINANCIAL INFORMATION

MANAGEMENT'S REPORT

The management of The City of Edmonton is responsible for the integrity of the accompanying consolidated financial statements and all other information within this Annual Report. The consolidated financial statements have been prepared by management in accordance with generally accepted accounting principles for municipal governments established by the Canadian Institute of Chartered Accountants. The preparation of the consolidated financial statements necessarily includes some amounts which are based on the best estimates and judgments of management. Financial data elsewhere in the Annual Report is consistent with that of the consolidated financial statements.

To assist in meeting its responsibility, management maintains accounting, budget and other internal controls, as well as an internal audit function. These controls provide reasonable assurance that transactions are appropriately authorized and accurately recorded, and that assets are properly accounted for and safeguarded, in order that the integrity of financial records is maintained.

The consolidated financial statements have been audited by the independent firm of Deloitte & Touche LLP, Chartered Accountants. Their report to the Mayor and City Council, stating the scope of their examination and opinion on the consolidated financial statements, follows.

Al Maurer, P.Eng.
City Manager

Roger Rozychuk, MBA
Finance Branch Manager

March 24, 2005

AUDITORS' REPORT

To His Worship the Mayor and Members of Council
The City of Edmonton

We have audited the consolidated statement of financial position of the City of Edmonton as at December 31, 2004, and the consolidated statements of financial activities and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the information. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the City of Edmonton as at December 31, 2004, and the results of its financial activities and the changes in its financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at December 31, 2003 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated March 17, 2004.

Deloitte & Touche LLP

Chartered Accountants

Edmonton, Alberta
March 24, 2005

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

December 31, 2004 (in thousands of dollars)	2004	2003 (Note 22)
Assets		
Cash and short-term investments (Note 2)	$ 182,537	$ 122,475
Receivables		
Taxes receivable	23,811	23,312
Trade and other receivables	61,914	60,809
Land for resale	44,082	40,388
Long-term investments (Note 3)	1,044,851	996,134
Investment in subsidiaries (Note 17)	1,693,786	1,608,299
	3,050,981	2,851,417
Prepaid expenses and deferred charges (Note 4)	39,825	40,118
Physical Assets (Note 5):		
Inventories of materials and supplies	14,362	14,874
Land for future municipal purposes	12,994	13,580
Local improvements	55,865	58,876
Capital assets	1,494,710	1,355,404
	1,577,931	1,442,734
Total Assets	4,668,737	4,334,269
Liabilities		
Accounts payable and accrued liabilities	200,418	171,163
Deposits	8,306	7,047
Deferred revenue (Note 6)	77,738	96,221
Employee benefit obligations (Note 7)	80,044	71,423
Landfill closure and post-closure care (Note 8)	15,095	13,551
Long-term debt (Note 9)	417,504	367,248
Total Liabilities	799,105	726,653
Municipal Position		
Fund Balances:		
Operating fund (Schedule 1)	2,462,541	2,343,013
Capital fund (Schedule 2)	126,818	93,672
Reserve fund (Schedule 3)	119,846	95,445
	2,709,205	2,532,130
Equity in physical assets	1,160,427	1,075,486
Total Municipal Position	3,869,632	3,607,616
Total Liabilities and Municipal Position	$ 4,668,737	$ 4,334,269

Commitments and contingent liabilities (Notes 19 and 20)

See accompanying notes to consolidated financial statements

Approved by:

Al Maurer, P.Eng.
City Manager

Roger Rosychuk, MBA
Finance Branch Manager

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

for the year ended December 31, 2004 (in thousands of dollars)	2004	Budget	2003
Revenues			
Net taxes available for municipal purposes (Note 13)	$ 533,897	$ 531,686	$ 492,879
User fees and sale of goods and services	333,288	317,487	321,554
Subsidiary operations (Note 17)	205,991	170,904	416,077
Government transfers (Note 14)	149,833	179,721	131,057
Investment earnings	64,471	55,923	52,111
Franchise fees	57,331	54,787	46,741
Developer and customer contributions	91,191	41,817	63,291
Fines and penalties	34,318	31,685	30,674
Licenses and permits	28,675	21,017	25,554
	1,498,995	1,405,027	1,579,938
Expenditures (Note 16)			
Protective services			
Police and bylaw enforcement	195,303	203,976	179,874
Emergency response	115,245	114,963	110,186
	310,548	318,939	290,060
Transportation services			
Bus and light rail transit	180,538	199,778	177,952
Roadway and parking	211,620	243,328	180,529
	392,158	443,106	358,481
Community services			
Parks and recreation	100,598	134,090	95,569
Community and family	15,290	15,241	14,422
Edmonton Public Library	28,840	27,565	29,462
Planning	16,524	19,438	16,495
Convention and tourism	18,752	18,562	16,390
Grants	9,448	9,518	8,708
Public housing	3,957	4,428	4,423
	193,409	228,842	185,469
Utility and enterprise services			
Drainage Services	173,281	159,212	133,388
Mobile equipment	46,195	66,245	55,144
Land	7,049	16,964	13,184
	226,525	242,421	201,716
Waste management	58,432	68,733	57,987
Corporate administration	129,197	144,800	106,009
General municipal	54,171	52,840	58,837
Tax appeals and allowances	7,936	11,214	4,053
Pension and benefit adjustments	(200)		4,526
	1,372,176	1,510,895	1,267,138
Excess (deficiency) of revenues over expenditures	126,819	(105,868)	312,800
Debenture borrowings	90,747	141,836	41,000
Debt repayment	(40,491)	(38,983)	(50,773)
Change in fund balances	$ 177,075	$ (3,015)	$ 303,027

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

for the year ended December 31, 2004 (in thousands of dollars)	2004	2003 (Note 22)
Cash provided by (used in):		
Operating Activities		
Excess of revenues over expenditures	$ 126,819	$ 312,800
Deduct item not affecting cash:		
Subsidiary operations	(205,991)	(416,077)
Change in non-cash items:		
Taxes receivable	(499)	(483)
Trade and other receivables	(1,105)	(6,930)
Land for resale	(3,694)	1,886
Prepaid expenses and deferred charges	293	4,614
Accounts payable and accrued liabilities	29,255	22,933
Deposits	1,259	184
Deferred revenue	(18,483)	(37,66
Employee benefit obligations	8,621	10,87
Landfill closure and post-closure care	1,544	1,095
Cash from operations	(61,981)	(106,773)
Investing Activities		
Net (increase) decrease in long-term investments	(48,717)	34,695
Dividend from subsidiary	120,504	110,500
Cash from investing	71,787	145,195
Financing Activities		
Debenture borrowings	90,747	41,000
Repayment of long-term debt	(40,491)	(50,773)
Cash from financing	50,256	(9,773)
Increase in cash position	60,062	28,649
Cash, beginning of year	122,475	93,826
Cash, end of year	$ 182,537	$ 122,475

Cash is represented by cash and short-term investments (Note 2).

See accompanying notes to consolidated financial statements.

SCHEDULE 1 — OPERATING FUND

for the year ended December 31, 2004 (in thousands of dollars)	2004	Budget	2003
Revenues			
Net taxes available for municipal purposes (Note 13)	$ 533,897	$ 531,686	$ 492,879
User fees and sale of goods and services	332,625	317,487	320,373
Subsidiary operations (Note 17)	205,991	170,904	416,077
Government transfers (Note 14)	38,198	34,498	30,083
Investment earnings	64,471	55,923	52,111
Franchise fees	57,331	54,787	46,741
Developer and customer contributions	514		421
Fines and penalties	34,318	31,685	30,674
Licenses and permits	28,675	21,017	25,554
	1,296,020	1,217,987	1,414,913
Expenditures (Note 16)			
Protective services:			
Police and bylaw enforcement	185,692	187,960	173,629
Emergency response	114,187	113,309	109,509
	299,879	301,269	283,138
Transportation services:			
Bus and light rail transit	148,169	148,226	138,641
Roadway and parking	86,294	78,990	80,000
	234,463	227,216	218,641
Community services:			
Parks and recreation	86,854	87,469	84,024
Community and family	15,290	15,241	14,422
Edmonton Public Library	28,267	26,958	26,563
Planning	14,815	14,053	14,948
Convention and tourism	17,822	17,382	15,092
Grants	9,448	9,518	8,708
Public housing	3,957	4,428	4,423
	176,453	175,049	168,180
Utility and enterprise services:			
Drainage Services	56,029	57,6...	55,981
Mobile equipment	10,696	4,598	9,312
Land	7,049	16,964	13,184
	73,774	79,414	78,477
Waste management	55,226	55,092	53,391
Corporate administration	85,023	87,427	72,788
General municipal	54,171	52,840	58,837
Tax appeals and allowances	7,936	11,214	4,0...3
Pension and benefit adjustments	(200)		4,526
	986,725	989,521	942,031
Excess of revenues over expenditures	309,295	228,466	472,882
Net interfund transfers:			
To capital fund	(124,185)	(146,346)	(119,301)
(To) from reserve fund	(25,091)	(14,663)	7,731
Debt repayment	(40,491)	(38,983)	(50,773)
Change in fund balance	119,528	28,474	310,539
Opening balance	2,343,013	2,343,013	2,032,474
Closing balance (Note 10)	$ 2,462,541	$ 2,371,487	$ 2,343,013

See accompanying notes to consolidated financial statements.

SCHEDULE 2 — CAPITAL FUND

for the year ended December 31, 2004 (in thousands of dollars)	2004	Budget	2003
Revenues			
Government transfers (Note 14)	$ 111,635	$ 145,223	$ 100,974
Developer and customer contributions	90,677	41,817	62,870
Other	663		1,181
	202,975	187,040	165,025
Expenditures			
Protective services:			
Police and bylaw enforcement	9,611	16,016	6,245
Emergency response	1,058	1,654	677
	10,669	17,670	6,922
Transportation services:			
Bus and light rail transit	32,369	51,552	39,311
Roadway and parking	125,326	164,338	100,529
	157,695	215,890	139,840
Community services:			
Parks and recreation	13,744	46,621	11,545
Edmonton Public Library	573	607	2,899
Planning	1,709	5,385	1,547
Convention and tourism	930	1,180	1,298
	16,956	53,793	17,289
Utility and enterprise services:			
Drainage Services	117,252	101,360	77,407
Mobile equipment	35,499	61,647	45,832
	152,751	163,007	123,239
Waste management	3,206	13,641	4,596
Corporate administration	44,174	57,373	33,221
	385,451	521,374	325,107
Excess of expenditures over revenues	182,476	334,334	160,082
Net interfund transfers:			
From operating fund	124,185	146,346	119,301
From (to) reserve fund	690	10,122	(1,267)
Debenture borrowings	90,747	141,836	41,000
	215,622	298,304	159,034
Change in fund balance	33,146	(36,030)	(1,048)
Opening balance	93,672	93,672	94,720
Closing balance (Note 11)	$ 126,818	$ 57,642	$ 93,672

See accompanying notes to consolidated financial statements.

SCHEDULE 3 — RESERVE FUND

for the year ended December 31, 2004 (in thousands of dollars)	2004	Budget	2003
Opening balance	$ 95,445	$ 95,445	$ 101,909
Add (deduct):			
Transfer from operating fund	29,878	19,039	14,691
Transfer to operating fund	(4,787)	(4,376)	(22,422)
Net transfer from (to) operating fund	25,091	14,663	(7,731)
Transfer from capital fund	2,576		4,007
Transfer to capital fund	(3,266)	(10,122)	(2,740)
Net transfer (to) from capital fund	(690)	(10,122)	1,267
Change in fund balance	24,401	4,541	(6,464)
Closing balance (Note 12)	$ 119,846	$ 99,986	$ 95,445

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2004 (in thousands of dollars)

The City of Edmonton is a municipality in the Province of Alberta, Canada and operates under the provisions of the Municipal Government Act, R.S.A., 2000, c. M-26, as amended (MGA).

1. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements of The City of Edmonton (the City) are prepared by management in accordance with generally accepted accounting principles for municipal governments, as recommended by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Significant aspects of the accounting policies adopted by the City are as follows:

a) Reporting Entity

The consolidated financial statements reflect the assets, liabilities, revenues, expenditures, and changes in fund balances and financial position of the reporting entity. The reporting entity is comprised of all organizations and enterprises accountable for the administration of their financial affairs and resources to the City and which are owned or controlled by the City. In addition to general government tax-supported operations, they include the following:

Drainage Services Utility
Land Enterprise
Mobile Equipment Services
Ed Tel Endowment Fund
The Edmonton Public Library
Edmonton Economic Development Corporation (formerly Economic Development Edmonton)

Interdepartmental and inter-organizational transactions are eliminated.

Certain subsidiary corporations are accounted for on a modified equity basis, consistent with the generally accepted accounting treatment for government business enterprises (Note 17). Under the modified equity basis, the business enterprise's accounting principles are not adjusted to conform with those of the City, and inter-organizational transactions and balances are not eliminated. Subsidiary corporations accounted for in this manner are:

EPCOR Utilities Inc.
The City of Edmonton Non-Profit Housing Corporation

The statements exclude trust assets that are administered for the benefit of external parties (Note 21).

b) Basis of Accounting

Revenues are accounted for in the period in which the transactions or events occurred that gave rise to the revenues. Funds from external parties and earnings thereon restricted by agreement or legislation are accounted for as deferred revenue until used for the purpose specified.

Government transfers are recognized in the financial statements as revenues in the period in which events giving rise to the transfer occur, providing the transfers are authorized, any eligibility criteria have been met and reasonable estimates of the amounts can be made.

Expenditures are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

c) Fund Accounting

Funds within the consolidated financial statements consist of the operating, capital, and reserve funds. Transactions between funds are recorded as interfund transfers.

d) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the period. Actual results could differ from those estimates.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2004 (in thousands of dollars)

e) Foreign Currency

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at December 31 and non-monetary items are translated at rates of exchange in effect when the assets were acquired or obligations incurred. Revenues and expenditures are translated at rates in effect at the time of the transactions. Gains (losses) on foreign currency translation are included as revenues (expenditures).

f) Land for Resale

Land for resale is recorded at the lower of cost and net realizable value. Cost includes amounts for land acquisition and improvements to prepare the land for sale or servicing.

g) Long-Term Investments

Fixed income investments are recorded at amortized cost less amounts written off to reflect a permanent decline in value. Purchase premiums and discounts are amortized on the present value basis over the terms of the issues.

Investments in common and preferred shares are recorded at cost, or at cost less amounts written off to reflect a permanent decline in value.

h) Physical Assets

Physical assets, comprised of inventories of materials and supplies, land for future municipal purposes, local improvements, and capital assets are recognized as expenditures in the period they are acquired.

Inventories of materials and supplies are valued at the lower of average cost and replacement cost.

Land for future municipal purposes is valued at cost.

Local improvements are authorized by property owners as set out within the MGA and are undertaken by the City. The construction and borrowing costs are recovered through annual local improvement assessments during the period of the related borrowings.

Capital assets employed in general government tax-supported operations are carried on the Statement of Financial Position at cost net of financing provided from capital fund revenues, the reserve fund, and the operating fund. Tax-supported capital assets financed by debentures are carried at an amount equivalent to the debenture and are amortized at a rate equivalent to the principal repayment.

Capital assets employed in other operations are carried at cost, and the related financing from capital fund revenues, the reserve fund, and the operating fund is recorded as equity in physical assets. Capital assets are amortized over their estimated useful lives.

i) Operating Fund

The operating fund balance represents the amounts available to offset future operational revenue requirements.

j) Capital Fund

The capital fund balance represents the amounts available to finance future capital projects.

k) Reserve Fund

Certain amounts, as approved by City Council, are set aside in reserves for future operating and capital expenditures. Transfers to and/or from reserves are reflected as an adjustment to the respective fund.

l) Equity in Physical Assets

Equity in physical assets represents the investment in physical assets, after deducting the portion financed by long-term debt.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2004 (in thousands of dollars)

2. CASH AND SHORT-TERM INVESTMENTS

	2004	2003
Bankers' acceptances, treasury bills and commercial paper, at cost	$ 6,453	$ 5,896
Fixed income:		
Short term notes and deposits	120,483	70,150
Government and government guaranteed bonds	52,442	48,012
Corporate bonds and debentures	27,247	22,648
	200,172	140,810
Cheques outstanding in excess of deposits	(24,088)	(24,243)
	$ 182,537	$ 122,463

Short term notes and deposits have effective rates of 1.8 to 3.1 per cent (2003 – 2.8 to 2.9 per cent) and mature in less than one year. Government and corporate bonds and debentures have effective interest rates of 2.6 to 4.0 per cent (2003 – 3.0 to 4.5 per cent) with maturity dates from April 26, 2006 to February 15, 2015 (2003 – March 8, 2004 to February 15, 2015). Market value of fixed income investments is $200,752 (2003 – $140,928).

Short term investments are capable of reasonably prompt liquidation and may be used to manage the City's cash position throughout the year.

3. LONG-TERM INVESTMENTS

	Cost		Market value	
	2004	2003	2004	2003
Cash	$ 1,256	$ 375	$ 1,256	$ 375
Amounts receivable (payable) – net	364	(13)	364	(13)
Fixed income:				
Short term notes and deposits	42,688	3,448	43,402	3,399
Government and government guaranteed bonds	363,735	356,622	375,916	367,566
Corporate bonds and debentures	158,013	154,994	162,790	158,697
	564,436	515,064	582,108	530,662
Common and preferred shares:				
Canadian	208,050	211,764	266,554	239,454
International	270,725	269,224	258,275	246,672
	478,775	480,988	524,829	486,126
Other investments	20	20	20	20
	$ 1,044,851	$ 996,434	$ 1,108,577	$ 1,017,170

Short term notes and deposits have effective interest rates of 2.3 to 2.6 per cent (2003 – 2.6 to 2.8 per cent) and mature in less than one year. Government and corporate bonds and debentures have effective interest rates of 2.5 to 6.1 per cent (2003 – 2.6 to 7.5 per cent) with maturity dates from April 11, 2005 to June 16, 2099 (2003 – March 8, 2004 to June 30, 2050).

Included in the carrying value of long-term investments is $50,000 (2003 – $51,260) which is externally restricted for capital investment projects (Note 4).

Investments with a cost of $569,064 (2003 – $565,230) and market value of $611,290 (2003 – $602,997) are managed within the Ed Tel Endowment Fund, in accordance with City Bylaw 17113. An annual appropriation from the earnings on the Fund is authorized to support municipal operations, based upon a spending formula set out in the Bylaw. Any amendments to the Bylaw require advertisement and a public hearing.

The cost of international common and preferred shares exceeded market value as at December 31, 2004. Given the continued foreign exchange volatility and the strengthening of the international market values, management is of the opinion that the loss in value is a temporary decline.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2004 (in thousands of dollars)

4. PREPAID EXPENSES AND DEFERRED CHARGES

	2004	2003
Prepaid expenses – operational	$ 4,742	$ 5,475
Pension net fund asset (Note 18)	35,083	34,643
	$ 39,825	$ 40,118

5. PHYSICAL ASSETS

	Cost	Accumulated Depreciation	2004 Net Book Value	2003 Net Book Value
Inventories of materials and supplies	$ 14,362	$	$ 14,362	$ 14,814
Land for future municipal purposes	12,994		12,994	13,580
Local improvements	72,148	16,283	55,865	58,876
Capital assets				
Sanitary Drainage Services	802,856	156,290	646,566	564,791
Land Drainage Services	787,250	281,069	506,181	466,186
	1,590,106	437,359	1,152,747	1,030,977
Engineering structures	149,580	14,620	134,960	108,727
Land	1,344		1,344	1,344
Buildings	67,569	26,690	40,879	34,924
Vehicles	290,537	84,367	146,170	144,644
Machinery and equipment	48,940	22,330	18,610	4,738
	2,048,560	554,366	1,494,710	1,325,454
	$ 2,143,064	$ 567,181	$ 1,577,931	$ 1,442,734

6. DEFERRED REVENUE

Deferred revenue is comprised of the funds raised during the year of which, together with any earnings thereon, externally restricted. These funds are recognized as revenue in the period they are used for the purpose specified.

	2004	2003
Operating	$ 19,295	$ 13,609
Capital		
Transportation User Levies	50,096	51,260
Infrastructure Canada-Alberta Program (ICAP)	4,651	15,992
Alberta Social Housing agreement	3,282	12,972
Other	414	387
	58,443	80,611
	$ 77,738	$ 94,220

Unexpended funds related to the transportation fuel levies are supported by long-term investments of $50,096 (2003 – $51,260) held exclusively for funding these projects (Note 3).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2004 (in thousands of dollars)

7. EMPLOYEE BENEFIT OBLIGATIONS

	2004	2003 (Note 27)
Accrued vacation	$ 46,141	$ 43,371
Income replacement plan	13,029	13,564
Post-employment benefits	9,742	5,934
Banked overtime	6,094	5,199
Group life plan	3,005	2,618
Other	1,683	137
Supplementary management retirement plan	350	
	$ 80,044	$ 71,823

The income replacement plan was a disability plan partially funded by employees, which was discontinued in April 1991. The outstanding obligation will be paid to employees in accordance with the terms and conditions of the plan. The obligation is based on an actuarial extrapolation as at December 31, 2004, completed by the actuaries of Aon Consulting Inc., of a valuation they completed as at December 31, 2002.

Post-employment benefits represent the City's cost, including the continuation of benefits for employees receiving long-term disability and the City's share of participatory eligible medical, dental and other obligations.

In order to measure the post-employment obligations, an actuarial valuation was completed by the actuaries of Aon Consulting Inc. regarding the continuation of benefits (medical and dental) for employees who are receiving long-term disability. The discount rate used in the valuation is 6.5 per cent (2003 – 6.75 per cent). The accrued benefit obligation as at December 31, 2004 is $8,308 (2003 – $7,405). Total benefit plan related expense was $1,721 and was comprised of current service cost of $1,262 (2003 – $982), amortization of actuarial loss of $2 (2003 – $Nil) and interest cost on the accrued benefit obligation of $457 (2003 – $329). Benefits paid during the year were $1,216 (2003 – $846). The net unamortized actuarial loss was $1,206 (2003 – $23), to be amortized over the expected average remaining service period of disabled employees of 7 years (2003 – 7 years).

For the medical and dental obligations are estimated based on a five year average of permanent claim costs in excess of contributions until the participants reach age 65. Eligible medical obligations for 2004 were $1,154 (2003 – $1,102). Eligible dental obligations for 2004 were $525 (2003 – $62). Other post-employment benefits were $150 (2003 – $140).

A Group Life Insurance Plan is provided by the City, funded equally by employer and employees. The Plan is administered by Great West Life.

The City sponsors certain employee benefits (…ers), which are funded through employee and/or employer contributions. Premium contributions, interest earnings, claim costs for benefit entitlements, and administrative costs are applied to each of the respective plans.

In December 2004, plan terms were introduced for a Supplementary Management Retirement Plan for designated management employees, subject to a favourable tax ruling which has since been received in February 2005. The plan is to be implemented effective for service beginning January 1, 2005. Total current and past service costs of $282 to December 31, 2004, have been taken upon an actuarial valuation completed by Aon Consulting Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2004 (in thousands of dollars)

8. LANDFILL CLOSURE AND POST-CLOSURE CARE

Under legislation, the City has a liability for closure and post-closure care costs for its landfill. $15,795 (2003 – $13,551) of the estimated total landfill closure and post-closure care expenditures of $16,214 (2003 – $14,760) has been accrued at December 31, 2004. The estimated liability for these expenditures is recognized as the landfill site capacity is used and the reported liability represents the portion of the estimated total expenditures recognized at December 31, 2004, based on the cumulative capacity used at that date, compared to the total estimated landfill capacity. Estimated total expenditures represent the sum of the discounted future cash flows for closure and post-closure care activities discounted at the City's cost of borrowing rate, averaging rate of 4.3 per cent (2003 – 4.4 per cent).

Landfill closure and post-closure care requirements have been defined in accordance with industry standards and include final covering and landscaping of the landfill, drainage of ground water and leachates from the site, and ongoing environmental monitoring, site inspection and maintenance. The accrued liability is based on estimates and assumptions with respect to events extending over a 40 year period using the best information available to management. Future events may result in significant changes to the estimated total expenditures, capacity used or total capacity and the estimated liability, and will be recognized prospectively as a change in estimate when applicable.

The estimated remaining capacity of the landfill site is 8 years, and of its total estimated capacity and its estimated remaining life is six years, after which the period for post-closure care is estimated to be 30 years.

9. LONG-TERM DEBT

a) Debt payable

Debt payable, issued in the name of the City, includes the following amounts:

	2004	2003
Debentures	$ 1,363,398	$ 1,390,095
Mortgages	13,100	13,372
	1,376,498	1,403,467
Less debt recoverable from and amount for financing recoverable from:		
EPCOR Utilities Inc.	459,425	465,894
Edmonton Apartments	2,832	2,922
Sinking Fund assets	496,737	492,898
	417,504	441,753
Long-term debt is comprised of:		
Self-liquidating debt	358,287	383,536
Tax-supported debt	59,217	58,217
	$ 417,504	$ 441,753

The amount receivable from EPCOR Utilities Inc. relates to debentures issued in the name of the City on behalf of EPCOR Utilities Inc. and has the same repayment terms as the debentures issued.

Outstanding debentures of $870,838 are secured by Sinking Fund assets with a maturity value of $496,737 (market value – $515,462) and retained earnings of $105,418 (2003 – $102,077) (note 10). These assets consist of short-term notes and deposits, government and government guaranteed bonds and mortgages, bonds and debentures. Debentures and government guaranteed bonds include debentures of The City of Edmonton with a carrying value of $68,019 (market value – $69,674).

Short-term notes and deposits have an effective interest rate of 2.3 per cent (2003 – 2.1 to 2.8 per cent) and mature in less than one year. Government and corporate bonds and debentures have effective interest rates of 3.6 to 11.5 per cent (2003 – 4.4 to 12.4 per cent) with maturity dates from December 17, 2005 to June 18, 2099 (2003 – June 1, 2004 to December 1, 2019).

Principal payments on long-term debt for the next five years are as follows:

	2005	2006	2007	2008	2009
Self-liquidating debt	$ 77,585	$ 69,086	$ 59,856	$ 47,371	$ 40,258
Tax-supported debt	2,689	2,824	2,966	3,116	3,274
	80,274	71,910	62,822	50,487	43,532
Less:					
Payments on offsetting amounts receivable	26,326	23,443	16,786	8,247	6,045
Sinking Fund principal	25,387	24,028	24,028	22,517	18,146
	$ 28,561	$ 24,439	$ 22,008	$ 19,723	$ 19,341

Payments on offsetting amounts receivable and Sinking Fund principal amounts relate to self-liquidating debt. The above amounts do not include annual Sinking Fund required earnings.

b) Debt and debt service limits

A Regulation under section 271 of the MGA requires that debt, debt limit and debt service (principal and interest payments) limit be disclosed. The debt limit, as defined in the Regulation, is two times revenue net of capital government transfers. The debt service limit is calculated at 0.35 times of the same revenue. Incurring debt beyond these limits requires approval by the Minister of Municipal Affairs.

The City's position with respect to the debt and debt service limits is as follows:

	2004	2003
Total debt limit	$ 2,362,738	$ 2,125,774
Total debt per Regulation	420,914	370,914
Percentage used (%)	17.81	17.45
Total debt service limit per Regulation	$ 413,479	$ 372,010
Total debt service	55,036	63,961
Percentage used (%)	13.31	17.19

c) Maturities and interest rates

Existing long-term debt matures in annual amounts to the year 2029 and debenture interest is payable, before provincial subsidy, at rates ranging from 3.2 to 12.0 per cent (2003 – 4.4 to 12.0 per cent). The average annual interest rate is 6.3 per cent for 2004 (2003 – 6.9 per cent) before rebate. The Province rebates 66 per cent of interest in excess of 6 per cent, 9 per cent, and 11 per cent for qualifying debt issues. The Province pays the interest for the first five years for qualifying debt issues related to energy conservation, through the ME first! program.

d) Interest on long-term debt

	2004	2003
Self-liquidating debt	$ 127,248	$ 135,236
Tax-supported debt	1,914	2,364
	129,162	137,600
Less payments on offsetting amounts receivable	103,778	110,830
Long-term debt interest included in interest and bank charges (Note 16)	$ 25,384	$ 26,770

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2004 (in thousands of dollars)

10. OPERATING FUND

	2003	Excess (Deficiency) of Revenues over Expenditures	Transfers and Debt Repayment	2004
General Government				
Operations	$ 16,341	$ 3,941	$ 14,947	$ 35,241
Pension and benefits	35,800	200		35,600
Excess earnings on Sinking Fund	21,791	3,941	(6,964)	24,768
Drainage Services Utility		47,786	(47,786)	
Land Enterprise	44,914	6,714	(2,815)	48,813
Mobile Equipment Services	25,417	35,184	(26,087)	35,114
Ed Tel Endowment Fund	583,270	3,794		589,064
EPCOR Utilities Inc.	1,607,408	205,986	(120,304)	1,693,090
Non Profit Housing Corporation	691	5		696
The Edmonton Public Library	946	883	(708)	571
Edmonton Economic Development Corporation	7,247	1,398	(1,210)	(565)
Taxi Cab Commission	106	43		149
	$ 2,343,013	$ 309,895	$ (189,767)	$ 2,462,541

The general government operations fund balance includes $2,139 appropriated for future purposes and $35,102 to be transferred to the Financial Stabilization Reserve. Excess earnings of $4,800 in the Sinking Fund is appropriated for future capital expenditures.

11. CAPITAL FUND

The capital fund balance is comprised of the following:

	2004	2003 (Note 20)
Financing available		
Funds for future construction	$ 51,617	$ 89,106
Drainage Services Utility capital assets	96,714	73,630
	148,331	162,736
Amounts to be financed		
Investment in tangible capital assets	(12,147)	(12,340)
Land for future exchanges purposes	(7,914)	(8,967)
Other physical assets	(1,452)	(1,535)
	(21,513)	(22,842)
	$ 126,818	$ 139,894

Amounts to be financed represent borrowings, or existing and available other financing, for which there are assets.

Land for future exchanges purposes and other physical assets have financing in the consolidated Offer for City Capital Purposes (Note 19).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2004 (in thousands of dollars)

12. RESERVE FUND

	2004	2003 (Note 22)
General Government		
Financial Stabilization	$ 57,994	$ 41,976
Funds in Lieu - Residential	17,470	16,574
Other	6,941	8,122
Enterprise Portfolio	6,816	6,571
Tax-supported Debt	6,566	1,393
Parkland Reserve	5,801	5,996
Benefit Plan	4,413	4,069
Waste Management Rate Stabilization	4,259	1,120
Perpetual Care	3,339	3,201
Self Insurance - Vehicles	2,500	2,500
Heritage Resources	1,145	1,213
	117,244	92,735
The Edmonton Public Library	2,602	2,710
	$ 119,846	$ 95,445

13. NET TAXES AVAILABLE FOR MUNICIPAL PURPOSES

	2004	2003
Taxes		
Property and business taxes	$ 744,774	$ 687,186
Revenue in lieu of taxes	21,753	21,411
Local improvement levies	11,199	12,388
Other	3,839	4,405
	781,565	725,390
Less taxes on behalf of		
Education	246,003	230,927
Business revitalization zones	1,665	1,584
	247,668	232,511
Net taxes available for municipal purposes	$ 533,897	$ 492,879

The City is required to levy taxes under section 353 of the MGA towards the payment of education requisitions. Education tax revenues are recorded at the amounts levied. Actual taxes levied over/under the amount requisitioned are recorded as an adjustment to the trade and other receivables.

An amount of education taxes payable of $1,355 on supplementary levies has been recorded at December 31, 2004 (2003 – $1,666) within accounts payable and accrued liabilities.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2004 (in thousands of dollars)

14. GOVERNMENT TRANSFERS

The following government transfers have been included in revenues:

	2004	2003 (Note 22)
Operating transfers		
Federal	$ 2,173	$ 1,470
Provincial	36,025	28,613
	38,198	30,083
Capital transfers		
Federal		
Shared cost agreements - ICAP	10,396	11,560
Shared cost agreements - other	47	135
Grants and entitlements		107
Provincial		
Shared cost agreements - ICAP (including interest of $2,200)	12,596	11,560
Shared cost agreements - other	4,498	2,211
Grants and entitlements	5,363	1,170
Other agreements	78,735	74,231
	111,635	100,974
	$ 149,833	$ 131,057

Funding for the 2005 World Masters Games, to be held in Edmonton in July 2005, includes contributions of $1,300 from each of the Federal and Provincial governments. $2,020 has been recognized as operating government transfers in 2004 and $580 as deferred revenue.

The Provincial government has provided grants under the Alberta Disaster Relief Program of $2,500 for the flood damage caused by rain storms in July 2004. $1,551 has been recognized in operating transfers and $98 in capital transfers in 2004 while $851 is deferred to 2005.

For the City of Edmonton's Centennial celebrations, the redevelopment of Sir Winston Churchill Square fronting City Hall was undertaken. $3,200 has been recognized as a capital Provincial government transfer in 2004. In addition, $1,000 from each of the Federal and Provincial governments has been recognized in 2004 as capital government transfers under the Infrastructure Canada-Alberta Program (ICAP).

The Alberta Centennial Legacies Grant Program provides funding to not-for-profit groups and municipalities for capital projects commemorating Alberta's Centennial. $2,065 was received for this per capita grant and recognized as revenue in 2004.

The Provincial City Transportation Fund provides annual funding for developing and implementing safe, effective and integrated transportation systems and facilities. In 2004 the City received funding of $70,000 (2003 – $45,000) and has recognized $78,735 (2003 – $74,231) as government transfers and $50,096 (2003 – $31,262) as deferred revenue (Note 6).

15. EXECUTIVE SALARIES AND BENEFITS

The following executive salaries and benefits are disclosed as required by Regulation under section 276 of the MGA.

	Salaries	Benefits	2004	2003
Mayor	$ 112	$ 13	$ 125	$ 120
Councillors (12)	706	137	842	824
Chief Administrative Officer	238	19	257	251
City Assessor	105	16	121	128
	$ 1,160	$ 185	$ 1,345	$ 1,323

Councillors are each paid a base salary of $58.3. Each receives benefits in the range of $10.3 to $13.3.

Benefits include the City's share of all benefits and contributions made on behalf of executives, including retirement contributions, Canada Pension Plan, Employment Insurance, Alberta Health Care, dental coverage, medical coverage, group life insurance, short-term disability insurance, and transportation allowances.

Executive salaries and benefits are included in corporate administration expenditures.

16. EXPENDITURES BY OBJECT

	2004	2003 (Note 22)
Salaries, wages, and employee benefits	$ 652,738	$ 613,109
Contracted and general services	143,530	136,753
Materials, goods, supplies, and utilities	152,146	150,476
Interest and bank charges	33,021	33,190
Other	5,290	8,503
Operating (Schedule 1)	986,725	942,031
Capital (Schedule 2)	385,451	325,107
	$ 1,372,176	$ 1,267,138

17. SUBSIDIARY OPERATIONS

a) EPCOR Utilities Inc.

EPCOR Utilities Inc. (EPCOR), established by City Council under City Bylaw 11071, is wholly owned by The City of Edmonton and provides regulated and non-regulated electric utility services, natural gas services, water utility services, and complementary commercial services.

The following table provides condensed supplementary financial information for EPCOR. Consolidated financial statements are contained within EPCOR's annual report and can be obtained by contacting the corporate offices of EPCOR.

	2004	2003 (Note 22)
Financial position		
Current assets and deferred assets	$ 932,041	$ 1,027,487
Current assets of discontinued operations		3,979
Capital assets	3,037,405	3,060,840
Other assets	226,978	255,681
Non-current assets of discontinued operations		292
Total assets	4,196,424	4,348,279
Current liabilities (including current portion of long-term debt of $131,000 (2003 – $55,600))	517,186	572,716
Current liabilities of discontinued operations		1,498
Non-current liabilities	506,904	521,499
Long-term debt	1,479,244	1,644,958
Total liabilities	2,503,334	2,740,671
Net assets	1,693,090	1,607,608
Results of operations		
Revenues	2,644,143	2,588,961
Expenses	2,443,540	2,434,278
Loss (gain) on discontinued operations	2,560	(283,630)
Net income	198,043	438,313
Foreign currency gain (loss)	8,446	(22,236)
Change in accounting policy	(503)	
Net income and adjustments	$ 205,986	$ 416,077

In 2004, EPCOR changed their accounting policy for asset retirements and retroactively restated the previous years' results. The City of Edmonton consolidated financial statements have reflected the impact of the change in accounting policy in the current year.

Long-term debt reported by EPCOR includes amounts issued in the name of the City. Offsetting short and long-term receivables from EPCOR have been applied to reduce the consolidated long-term debt (Note 9).

Principal payments on long-term debt for the next five years and thereafter are as follows:

2005	$ 131,000
2006	57,800
2007	149,900
2008	236,500
2009	29,900
2010 and thereafter	1,005,144
	$ 1,610,244

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2004 (in thousands of dollars)

The following summarizes the City's related party transactions with EPCOR for the year. All transactions are in the normal course of operations, and are recorded at the exchange value based on normal commercial rates, or as agreed to by the parties.

	2004	2003
Dividend paid to the City	$ 120,504	$ 110,500
Power and water purchased by the City	22,600	23,200
Other services purchased by the City	46,100	32,100
Franchise fees and revenue tax to the City	33,700	31,400
Property taxes and other taxes to the City	9,200	9,100
Administrative and construction services from the City	9,500	10,400
Financing expenses paid or payable to the City	73,500	76,700
Excess earnings in Sinking Fund available to EPCOR as at December 31	21,500	18,100

Included in current assets and deferred assets is $27.2 million (2003 – $31.0 million) due from the City.

EPCOR commitments to major capital projects are estimated at $33.8 million, at December 31, 2004 (2003 – $51.8 million).

EPCOR has issued letters of credit for $80.9 million (2003 – $29.3 million) to meet the credit requirements of energy market participants, to meet conditions of certain agreements and to satisfy legislated reclamation requirements.

Effective January 1, 2001, EPCOR became subject to a regulation in Alberta, requiring payment of amounts in lieu of income taxes on certain of its operations. Alberta Revenue, Tax and Revenue Administration has indicated a concern about the value of goodwill recognized at the time of this change. EPCOR believes that it appropriately measured the value of goodwill and will defend its position. If any adjustment is required, it will be recorded in the period of determination.

The settlement process in the Alberta electricity market may result in adjustments to previously settled loads in future periods. The adjustments will result in changes to previous estimates of electricity revenues and expenses. Any such adjustments, which could be material, will be recorded in the period they become known.

b) The City of Edmonton Non-Profit Housing Corporation (Non-Profit Housing Corporation)

The City is the sole shareholder of Non-Profit Housing Corporation, established in 1977 for the purpose of providing non-profit housing for the citizens of Edmonton. Pursuant to operating agreements, Non-Profit Housing Corporation receives subsidies from Canada Mortgage and Housing Corporation and Alberta Seniors.

The following table provides condensed supplementary financial information for Non-Profit Housing Corporation.

	2004	2003
Financial position:		
Current assets	$ 3,249	$ 3,192
Housing projects	22,613	23,915
Total assets	25,862	27,107
Current liabilities (includes current portion of mortgages payable of $1,360 (2003 – $1,284))	1,874	1,706
Mortgages payable	22,593	23,971
Total liabilities	24,467	25,677
Replacement reserves	699	739
Net assets	696	691
Results of operations:		
Revenues	4,874	4,936
Expenses	4,577	4,629
Net income	297	307
Replacement reserve allocation	(292)	(307)
Net income and adjustments	$ 5	$

Principal payments on long-term debt for the next five years and thereafter are as follows:

2005	$	1,360
2006		1,431
2007		1,509
2008		1,591
2009		1,678
2010 and thereafter		16,384
	$	23,953

18. PENSION AND LONG-TERM DISABILITY PLANS

a) Local Authorities Pension Plan

All employees of the City, with the exception of police officers, are members of the Local Authorities Pension Plan, which is one of the multiemployer plans covered by the Public Sector Pension Plans Act.

The City is required to make current service contributions to the Plan of 6.602 per cent of pensionable payroll up to the yearly maximum pensionable earnings (YMPE) and 8.477 per cent thereafter. Employees of the City are required to make current service contributions of 5.602 per cent of pensionable salary up to YMPE and 7.477 per cent thereafter. Contributions for current service are recorded as expenditures in the year in which they become due. Contribution rates reflect a 1.077 per cent increase to both employer and employee contributions, implemented January 1, 2004.

Total current service contributions by the City to the Local Authorities Pension Plan in 2004 were $25,989 (2003 – $20,950). Total current service contributions by the employees of the City to the Local Authorities Pension Plan in 2004 were $22,412 (2003 – $17,498). Effective January 1, 2005, contribution rates will increase by 2 per cent of pensionable salary, 1 per cent for employers and 1 per cent for employees.

b) Special Forces Pension Plan

Police officers employed by the City are participants in the multiemployer Special Forces Pension Plan (SFPP). The City is required to make current service contributions to the Plan of 10.36 per cent of pensionable payroll. In addition, past service contributions to the Plan of 0.75 per cent of pensionable payroll are required to eliminate an unfunded liability related to service prior to 1992, on or before December 31, 2036. Participants of the SFPP are required to make current service contributions of 9.26 per cent of pensionable salary and past service contributions of 0.75 per cent of pensionable salary to the Plan. Contributions for current and past service are recorded as expenditures in the year in which they become due.

Total current and past service contributions by the City to the SFPP in 2004 were $9,140 (2003 – $8,811). Total current and past service contributions by the participants to the SFPP in 2004 were $8,231 (2003 – $8,104).

c) City-Sponsored Pension and Long-Term Disability Plans

The following summarizes plans sponsored by the City. Assets related to the plans are held in trust as disclosed in Note 21.

i) Annuity Fund

The City provides pension benefits to members who were retired at the time the City's Pension Plan was transferred to the Province of Alberta. There are no active members enrolled in the Plan and no further contributions are expected to be made to the Fund.

Total benefits paid during the year were $53 (2003 – $69).

ii) Police Supplementary Pension Fund

The Police Supplementary Pension Plan (PSPP) provides benefits supplementary to the Local Authorities Pension Plan for 35 beneficiaries. There are no active police officers enrolled in the PSPP and no further contributions are expected to be made to the Fund.

Total benefits paid during the year were $122 (2003 – $121).

iii) Fire Fighters' Supplementary Pension Fund

The Fire Fighters' Supplementary Pension Plan (FFSPP) is a defined benefit pension plan covering members of the City Fire Fighters' Union. Pensions are payable to retired fire fighters and surviving spouses of deceased fire fighters. This pension is reduced by the pension payable to the member under the Local Authorities Pension Plan.

Total benefits paid during the year were $3,173 (2003 – $2,862). Employee contributions for the year were $1,172 (2003 – $1,122). Due to the funded surplus position, the City has taken a contribution holiday beginning January 2001.

iv) Fire Chief and Deputy Fire Chiefs' Supplementary Pension Fund

The City of Edmonton Fire Chief and Deputy Fire Chiefs' Supplementary Pension Plan (Fire Chief) is a defined benefit pension plan covering employees in the positions of fire chief and deputy fire chiefs. Contributions are made by plan members and the City. The pension is reduced by the pension payable to the member under the Local Authorities Pension Plan.

Total benefits paid during the year were $172 (2003 – $215). Employee contributions for the year were $10 (2003 – $4), and employer contributions were $200 (2003 – $77).

An actuarial valuation for each pension plan was completed by Aon Consulting Inc. as at December 31, 2004. Each 2004 actuarial valuation was based upon a number of assumptions about future events, which reflect management's best estimates. The expected inflation rate is 2.75 per cent (2003 – 3.0 per cent). The discount rate used to determine the accrued benefit obligation is 6.75 per cent (2003 – 7.0 per cent). Each pension fund's assets are valued at market value. The expected rate of return on plan assets is 6.75 per cent (2003 – 7.0 per cent).

The following table sets out the results for each of the pension plans:

	Annuity	PSPP	FFSPP	Fire Chief	2004	2003
Fair value of assets	$ 6,974	$ 6,063	$ 110,742	$ 1,603	**$ 125,382**	$ 116,973
Accrued benefit obligation	130	1,050	90,883	1,779	**93,842**	86,140
Funded status – surplus (deficit)	6,844	5,013	19,859	(176)	**31,540**	30,833
Unamortized net actuarial loss			15,190	210	**15,400**	16,695
Accrued benefit asset	6,844	5,013	35,049	34	**46,940**	47,528
Valuation allowance	6,844	5,013			**11,857**	12,885
Net fund asset	$	$	$ 35,049	$ 34	**$ 35,083**	$ 34,643

The net fund asset balance is included in prepaid expenses and deferred charges (Note 4). The net actuarial loss is amortized on a straight line basis over the expected average remaining service life (EARSL) of the Fire Fighters' plan of 12.3 years (2003 – 12.0 years) and of the Fire Chief plan of 2.5 years (2003 – 3.2 years).

The following table sets out the benefit plan related expense (income) for each of the pension plans:

	Annuity	PSPP	FFSPP	Fire Chief	2004	2003
Current service cost	$	$	$ 2,411	$ 14	$ 2,425	$ 2,501
Amortization of actuarial (gain) loss	(162)	(125)	1,589	73	1,375	1,586
Increase (decrease) in valuation allowance	584	432	(2,044)		(1,028)	3,120
Less: Employee contributions			(1,172)	(10)	(1,182)	(1,126)
Benefit Plan Expense for the year	422	307	784	77	1,590	6,081
Interest cost on accrued benefit obligation	11	72	5,792	117	5,992	5,640
Expected return on plan assets	(433)	(379)	(6,915)	(96)	(7,823)	(7,387)
Benefit Plan Interest (Income) Expense	(422)	(307)	(1,123)	21	(1,831)	(1,747)
Total Benefit Plan Related (Income) Expense	$	$	$ (339)	$ 98	$ (241)	$ 4,334

v) Long-Term Disability Plan

The Long-Term Disability Plan is available to permanent employees to provide protection against loss of income. The employee pays 100 per cent of the premium for the Plan.

An actuarial valuation of the Plan was completed by Aon Consulting Inc. as at December 31, 2004. The Plan's assets are valued using a moving average market value.

	2004	2003 (Note 22)
Fair value of assets	$ 47,530	$ 43,999
Less:		
Accrued benefit obligation	42,612	34,960
Other obligations and deferred gains	1,465	542
Net fund asset	$ 3,453	$ 8,497

19. COMMITMENTS

a) Capital Commitments

City Council has approved a 2005 – 2009 Capital Priorities Plan of $726,924. The 2005 requirement of $472,188 is to be funded as follows:

Reserves, grants, and developer contributions	$ 230,730
Pay-as-you-go financing	97,603
Tax-supported debentures	83,772
Self-liquidating debentures	60,083
	$ 472,188

Capital requirements related to EPCOR are not included in the Capital Priorities Plan. Certain capital commitments for EPCOR have been disclosed in Note 17.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

for the year ended December 31, 2004 (in thousands of dollars)

b) Lease Commitments

The City has entered into a number of lease agreements, mainly for facilities and equipment. Lease commitments over the next five years and thereafter are as follows:

2005	$ 11,881
2006	9,685
2007	5,667
2008	5,431
2009	4,170
2010 and thereafter	52,359
	$ 89,213

20. CONTINGENT LIABILITIES

a) The City is defendant in various lawsuits as at December 31, 2004. While it is not possible to estimate the ultimate liability with respect to the pending litigation, the City Solicitor believes there will be no material adverse effect on the financial position of the City.

b) The City is reviewing environmental objectives and liabilities for its activities and properties and considers site remediation obligations. The amount of any such obligations has not been determined.

21. TRUST ASSETS AND LIABILITIES

The City administers the following assets in trust on behalf of third parties. As related trust assets are not owned by the City, the trusts have been excluded from the consolidated financial statements:

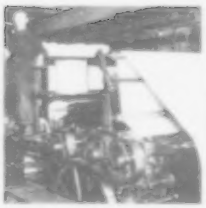
	2003	Deposits (Withdrawals)	Earnings	2004
Pension Funds Net Assets				
Annuity Fund	$ 6,442	$ (68)	$ 600	$ 6,974
Police Supplementary Pension Fund	5,674	(125)	514	6,063
Fire Fighters' Supplementary Pension Fund	103,513	(2,116)	9,345	110,742
Fire Chief and Deputy Fire Chiefs' Supplementary Pension Fund	1,543	31	129	1,603
	116,972	(2,277)	10,687	125,382
Long-Term Disability Plan	43,123	(99)	2,131	45,155
Other	531	1	20	552
	$ 160,627	$ (2,375)	$ 12,837	$ 171,089

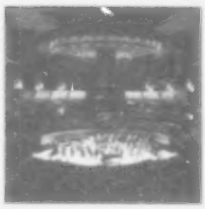
Pension funds assets include fixed income investments in government and government guaranteed bonds, corporate bonds, short-term notes and deposits, valued at market quotations from Canadian investment dealers, and Canadian and international common and preferred shares valued at the closing price on the stock exchange where listed. Assets of the pension funds are administered by the Investment Committee of the City.

Long-Term Disability Plan assets are investments held in trust, comprised of short-term notes and deposits, government and government guaranteed bonds, corporate bonds, debentures, and Canadian and international common and preferred shares.

22. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.





SCHEDULES AND STATISTICS

STATISTICAL REVIEW FOR THE YEARS 2000 TO 2004
GENERAL MUNICIPAL DATA

	2004
Population (Note 1)	666,104
Population age distribution (%) (Note 1)	
	5.80
	19.64
	16.54
	15.87
	16.20
	10.58
	3.69
	11.68
Area – in hectares	69,980
– in square kilometers (rounded)	700
Value of building permits ($000)	$ 1,380,933
Number of housing starts (see Canada Mortgage and Housing Corporation)	8,159
Consumer price index – 1992 base year (see Statistics Canada)	
	129.7
Edmonton	131.5
Alberta	124.6
Unemployment rate (%) – annual average (see Statistics Canada)	
	4.8
Edmonton	4.6
Alberta	7.2
City of Edmonton employees (Note 2)	9,727

Source: The City of Edmonton Corporate Human Resources

Notes:
1. The population and population age distribution figures are as at June 30th for 2004 and 2003 Census Counts.
2. Positions are stated on a full-time equivalent basis.

STATISTICAL REVIEW FOR THE YEARS 2000 TO 2004
ASSESSMENT AND TAX LEVY

(Unaudited) (In thousands of dollars, except per capita)

	2004	2003 (Note 2)	2002	2001	2000
Assessment:					
Total taxable assessment (market value)	$ 52,239,492	$ 45,099,041	$ 39,120,936	$ 36,344,255	$ 33,654,816
Percentage of total assessment represented by:					
Residential assessment	78.4	77.1	74.7	74.6	75.1
Commercial assessment	21.6	22.9	25.3	25.4	24.9
Taxable assessment per capita	$ 78,425	$ 67,704	$ 59,697	$ 54,562	$ 51,914
Assessment for grants and equivalent (Note 3)	4.7	5.2	5.1	5.9	4.2
Rates of taxation (mills):					
Single family residential	9.85	10.65	11.66	12.28	13.43
Other residential property	11.02	11.91	13.02	13.73	14.88
Commercial and industrial	22.47	22.95	22.72	23.54	25.60
Tax levy, collections, and arrears:					
Current year's levy:					
Property	$ 672,932	$ 569,300	$ 591,407	$ 570,388	$ 581,225
Business	86,880	81,571	76,845	74,263	77,036
Collections:					
Property	$ 669,616	$ 561,976	$ 584,504	$ 565,636	$ 577,516
Business	85,894	81,609	76,143	74,965	77,291
Arrears at December 31 (net):					
Property	$ 22,560	$ 22,549	$ 21,356	$ 21,624	$ 25,535
Business	1,251	1,611	1,414	1,173	1,641
Percentage of current property taxes collected	97.5	96	96.6	97.4	97.8
Percentage of net property tax arrears collected	59.2	57.1	63.7	59.4	51.0
Property tax arrears per capita (gross)	$ 43.01	$ 41.28	$ 43.44	$ 42.97	$ 55.52
Property tax arrears per capita (net)	33.87	33.85	32.06	30.96	39.39
Property tax levy per capita	1,010.25	934.99	997.96	906.51	896.54
Education taxes	$ 246,003	$ 230,907	$ 211,861	$ 209,809	$ 242,892

Source: The City of Edmonton Planning and Development Department

Notes:
1. Includes the tax liability levied by separate school boards.
2. Certain of the comparative figures have been restated to conform with the financial statement presentation adopted for the current year.

STATISTICAL REVIEW FOR THE YEARS 2000 TO 2004
INVESTMENT FUNDS

Unaudited (in thousands of dollars)

	2004	2003 (Note 4)	2002	2001	2000
Investment funds (Note 1)					
The Balanced Fund					
Net assets – market value	$ 385,601	$ 375,310	$ 342,279	$ 333,568	$ 283,208
Net assets – cost	365,504	363,782	345,916	328,533	269,036
Net earnings	18,834	16,416	14,211	17,246	15,983
Fund rate (%)	5.5	4.8	4.4	6.4	7.6
Market rate (%)	8.3	9.6	2.8	3.3	9.3
Ed Tel Endowment Fund					
Net assets – market value	$ 631,290	$ 602,997	$ 560,817	$ 587,801	$ 616,509
Net assets – cost	589,064	585,295	592,130	577,893	577,325
Net earnings	31,536	19,740	14,237	41,416	75,609
Fund rate (%)	5.4	3.4	2.4	7.2	14.8
Market rate (%)	9.5	12.8	(8.4)	3.6	11.2
Long-Term Disability Fund (Note 2)					
Net assets – market value	$ 49,724				
Net assets – cost	46,705				
Net earnings	2,149				
Fund rate (%)	4.9				
Market rate (%)	8.4				
The Sinking Fund					
Net assets – market value	$ 563,501	$ 566,168	$ 563,089	$ 531,693	$ 452,447
Net assets – cost	543,047	538,856	533,066	495,478	440,285
Net earnings					
Required	26,465	25,785	24,034	21,313	18,849
Unappropriated	7,300	16,683	23,306	12,960	15,398
Total	33,765	42,468	47,340	34,273	34,247
Fund rate (%)	6.2	7.1	10.4	7.0	8.4
Market rate (%)	6.6	6.4	18.6	(.1.0	11.8
The Transportation Fund (Note 3)					
Net assets – market value			$ 18,243	$ 99,848	$ 153,476
Net assets – cost			12,590	96,946	151,628
Net earnings			6,316	8,420	7,789
Fund rate (%)			5.4	6.2	6.5
Market rate (%)			3.4	7.2	8.7
Combined funds					
Net assets – market value	$ 1,630,116	$ 1,544,475	$ 1,533,988	$ 1,552,740	$ 1,511,640
Net assets – cost	1,544,320	1,487,308	1,545,102	1,499,050	1,438,524
Net earnings	86,284	78,024	82,104	99,215	133,626

Source: The City of Edmonton Corporate Services Department

Notes:
1. a) Net earnings are realized earnings of the fund in accordance with generally accepted accounting principles.
   b) Fund rate is the rate expressed as the earnings for the year over the weighted average of total assets employed.
   c) Market rate is the return based on the time-weighted method, in accordance with industry standards.
2. Effective April 1, 2004, funds held for the Long Term Disability Fund were transferred from the Balanced Fund into a separate fund. Prior period figures have not been restated.
3. Effective November 30, 2003, funds held for the Transportation Fund are no longer managed separately. Statistics for the Transportation Fund in 2000 are for a nine month period.
4. Certain of the comparative figures have been restated to conform with the financial statement presentation adopted for the current year.

STATISTICAL REVIEW FOR THE YEARS 2000 TO 2004
LONG-TERM DEBT

Unaudited (in thousands of dollars except per capita)

	2004	2003 (Note 1)	2002	2001	2000
Debt limit	$ 2,362,738	$ 2,125,774	$ 2,048,414	$ 2,024,792	$ 1,982,178
Total debt per regulation	420,914	370,814	393,548	439,409	360,218
Pecentage used (%)	17.81	17.45	19.20	21.70	18.17
Debt service limit	413,479	372,010	358,472	354,359	346,882
Total debt service per regulation	55,036	47,961	68,129	100,394	97,343
Pecentage used (%)	13.31	12.89	19.00	28.33	28.13
General government debt service	33,936	47,996	47,391	42,395	41,009
General government debt service of general government operating fund expenditures (%)	3.6	4.6	4.6	3.7	3.7
Long-term debt (gross)					
Self liquidating	$ 1,317,281	$ 1,179,439	$ 1,490,610	$ 1,581,246	$ 1,512,028
Tax-supported	59,217	24,058	25,957	41,252	35,315
Long-term debt (net of Sinking Funds)					
Self liquidating	$ 820,544	$ 666,311	$ 993,493	$ 1,118,084	$ 1,125,905
Tax-supported	59,217	24,058	25,957	41,252	35,315
Net debt per capita					
Self liquidating	$ 1,232	$ 1,121	$ 1,441	$ 1,614	$ 1,737
Tax-supported	89	36	39	62	40
	$ 1,321	$ 1,157	$ 1,480	$ 1,676	$ 1,822
Percentage of total debt to be retired					
Within 5 years	48.8	51.6	53.6	53.4	57.6
Within 10 years	69.9	73.6	74.5	74.3	80.0

Source: The City of Edmonton Corporate Services Department

Note:

1 Certain of the comparative figures have been restated to conform with the manner of presentation adopted for the current year.

STATISTICAL REVIEW FOR THE YEARS 2000 TO 2004
CONSOLIDATED EXPENDITURES

Unaudited (in thousands of dollars)

Consolidated Expenditures By Function

	2004	2003	2002	2001	2000
Transportation services	$ 392,158	$ 358,481	$ 322,141	$ 321,896	$ 304,534
Protective services	310,548	290,060	271,990	253,793	234,628
Community services	193,409	185,469	183,769	191,650	157,779
Corporate administration and general municipal	191,104	173,425	156,860	133,589	128,389
Utility and enterprise services (Note 1)	226,525	201,716	152,730	159,648	179,563
Waste management and storm sewer (Note 1)	58,432	57,987	86,913	171,242	65,262
	$ 1,372,176	$ 1,267,138	$ 1,134,403	$ 1,231,818	$ 1,070,195

Consolidated Expenditures By Object (Note 2)

	2004	2003	2002	2001	2000
Operating:					
Salaries, wages and employee benefits	$ 652,738	$ 613,109	$ 543,323	$ 505,716	$ 497,538
Contracted and general services	143,530	136,753	118,129	113,210	132,784
Materials, goods, supplies and utilities	152,146	150,476	146,561	136,282	120,962
Interest and bank charges	33,021	33,190	36,031	37,321	38,836
Other	5,290	6,503	17,765	23,662	20,817
	986,725	942,031	861,809	816,191	810,425
Capital	385,451	325,107	272,594	415,627	259,770
	$ 1,372,176	$ 1,267,138	$ 1,134,403	$ 1,231,818	$ 1,070,195

Source: The City of Edmonton Corporate Services Department

Notes:

1. To comply with the amended Sewers Use Bylaw, the operation of the previously tax-supported storm sewer operation is carried out by Drainage Services Utility, effective January 1, 2003.
2. Certain of the comparative figures have been reclassified to conform with the financial statement presentation for the current year.

STATISTICAL REVIEW FOR THE YEARS 2000 TO 2004
OTHER

Unaudited (in thousands of dollars)

	2004	2003	2002	2001	2000
Revenue - operating fund:					
General government revenue (Note 1)	$ 935,003	$ 847,342	$ 795,265	$ 795,132	$ 784,244
Utility revenue	105,863	100,584	91,764	87,913	80,726
Subsidiary operations	205,991	416,037	190,501	388,113	149,168
Other revenue	49,163	50,950	46,900	46,070	90,099
	$ 1,296,020	$ 1,414,913	$ 1,153,864	$ 1,317,228	$ 1,104,237
General government operating fund revenue (%):					
Taxation	57.1	58.2	59.4	57.3	64.7
Sale of goods and services	20.0	20.3	21.7	19.4	14.9
Franchise fees	6.1	5.6	5.8	5.5	6.7
Appropriation from Ed Tel Endowment Fund	3.0	3.1		3.1	3.0
Government transfers	3.6	3.1	2.9	2.7	3.4
Other	10.2	9.6	10.2	11.0	9.3
General government operating fund expenditures (Note 1)	$ 930,856	$ 866,755	$ 789,193	$ 746,958	$ 719,693
Expenditures - capital fund	385,451	320,197	272,943	415,427	238,770
Reserve fund balance	119,846	95,445	101,909	109,659	101,263

Source: The City of Edmonton Corporate Services Department

Note:
1. The general government operating fund revenue and expenditures include municipal operations and pension and benefit adjustments.

RELATED BOARDS & AUTHORITIES

Edmonton Economic Development Corporation
3rd Floor, World Trade Centre Edmonton
9990 Jasper Avenue
Edmonton, Alberta T5J 1P7
Fax: (780) 917-7600
E-mail: info@edmonton.com
Web: www.edmonton.com/eedc
Chair: J.D. Hole
President and CEO: Allan Scott

The City of Edmonton Non-Profit Housing Corporation
20th Floor, Century Place
9803 - 102A Avenue
Edmonton, Alberta T5J 3A3
Fax: (780) 496-5510
Acting Chair: Lorne Dach
General Manager: Terry J. Loat

Edmonton Police Commission
Suite 171, 10235 - 101 Street
Edmonton, Alberta T5J 3E9
Fax: (780) 414-7511
E-mail: info@edmontonpolicecommission.com
Web: www.edmontonpolicecommission.com
Acting Chair: Murray Billett
Chief of Police: Vacant

EPCOR Utilities Inc.
18th Floor, EPCOR Centre
10065 Jasper Avenue
Edmonton, Alberta T5J 3B1
Fax: (780) 412-3192
E-mail: corpafrs@epcor.ca
Web: www.epcor.ca
Chair: H. Bolton
President and CEO: D. Lowry

The Edmonton Public Library
7 Sir Winston Churchill Square
Edmonton, Alberta T5J 2V4
Fax: (780) 496-7097
Web: www.epl.ca
Chair: A. Faid
Director: Linda Cook

www.edmonton.ca

INQUIRIES MAY ALSO BE DIRECTED:

BY MAIL
The City of Edmonton
Corporate Services Department
Finance Branch
5th Floor, Chancery Hall
3 Sir Winston Churchill Square
Edmonton, Alberta, Canada T5J 2C3

BY PHONE
(780) 496-5356

Glenbow Archives
City of Edmonton Archives
Professional Photographers of Canada - Alberta Professional Photographers Association, Edmonton Journal, Design Pics

Edmonton